

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

## NOTICE OF MEETING

Time: 10 am

Date: 3<sup>rd</sup> April 2017

Place: Offices of Moore Stephens, Level 18, 530 Collins Street, Melbourne.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional adviser prior to voting.

All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of Meeting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Managing Director on +613 8420 6280.

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## IMPORTANT INFORMATION

### Time and place of meeting

Notice is given that an extraordinary general meeting of the Company will be held at 10 am on Monday 3<sup>rd</sup> April 2017 at the offices of Moore Stephens, Level 18, 530 Collins Street, Melbourne.

### Your vote is important

The business of the meeting affects your shareholding and your vote is important.

### Voting eligibility

The persons eligible to vote at the meeting are those who are registered shareholders at 7.00pm (Melbourne time) on Friday 31<sup>st</sup> March 2017.

### Voting in person

To vote in person, attend the meeting at the time, date and place set out above.

### Voting by proxy

To vote by proxy, please complete and sign the enclosed proxy form and return by the time and in accordance with the instructions set out on the proxy form.

Each Shareholder has the right to appoint a proxy. The proxy need not be a shareholder of the Company.

A shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.

If a proxy votes, they must cast all directed proxy votes as directed and any directed proxy votes which are not voted will automatically default to the chair of the meeting who must cast the proxy votes as directed.

A proxy form accompanies this Notice.

## BUSINESS OF THE MEETING

### Resolution – Acquisition of Nevada Lithium

To consider and if thought fit to pass the following resolution as an ordinary resolution:

*“That for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to acquire all the shares in Nevada Lithium Pty Ltd on the terms and conditions set out in the Explanatory Statement and, in connection with that acquisition and on and subject to those terms and conditions, to approve the issue of \$2,000,000 worth of RLC Shares to the vendors, including the Related Party Vendor, and payment of the Initial Sum and Agreed Exploration Costs.”*

**VOTING EXCLUSION:** The Company will disregard any votes cast on this resolution by a party to the transaction and any associate of that party. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or, if it is cast by the chair of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**INDEPENDENT EXPERT’S REPORT:** Shareholders should carefully consider the Independent Expert’s Report prepared for the purpose of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert’s Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated shareholders in the Company. The Independent Expert has determined that the acquisition of Nevada Lithium is [fair and reasonable] to the non-associated shareholders.

DATED: 23 February 2017

By order of the Board

Geof Fethers

Managing Director

## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to shareholders in deciding whether or not to pass the resolution.

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## BACKGROUND TO RESOLUTION

### 1. Shareholder Approval Requirement

Reedy Lagoon has entered into an agreement to acquire lithium brine projects in Nevada, USA.

The lithium brine projects are owned by a company, Nevada Lithium Pty Ltd. Reedy Lagoon is to purchase all of the shares in Nevada Lithium from the shareholders in that company.

One of those shareholders is Mr Adrian Griffin, a non-executive director of Reedy Lagoon. Mr Griffin owns 25% of Nevada Lithium.

Under the ASX Listing Rules an acquisition by Reedy Lagoon of a substantial asset from a related party requires approval by Reedy Lagoon shareholders.

An Independent Expert's Report has been provided to assist shareholders in deciding whether to approve the acquisition. The Independent Expert has determined that the acquisition is fair and reasonable to shareholders other than Mr Griffin and his associates.

### 2. What is being acquired?

The lithium brine projects currently comprise applications for Placer Mining Claims in Nevada located within large scale basins interpreted from geophysical survey data and geological modelling based on existing lithium operations in Nevada where abundant brines occur in similar geological strata. In particular, the Silver Lake Mine has been producing lithium from brines in Nevada since the 1960s. Areas of interest have been staked with placer claims, these claims have been duly recorded with Esmeralda County and filed with the Bureau of Land Management ("BLM"). Additional areas are targeted and it is intended that claim staking will be ongoing as part of the acquisition.

The Placer Mining Claims have been made in the name of Sierra Lithium LLC., a corporation which is a wholly-owned subsidiary of Nevada Lithium Pty Ltd. As stated above, Reedy Lagoon proposes to acquire all the shares in Nevada Lithium Pty Ltd, including the 25% shareholding of Mr Adrian Griffin.

More information on the projects is set out in the Independent Expert's Report.

### 3. Terms of the Acquisition

Under the Share Purchase Agreement the shareholders in Nevada Lithium (the Vendors) have agreed to sell all their shares in Nevada Lithium to Reedy Lagoon if Reedy Lagoon:

- pays Nevada Lithium \$209,000 ( the “Initial Payment”), being anticipated costs and expenses of Sierra Lithium in pegging and lodging Claims for the Lithium Brine Projects, within 10 Business Days of approval by RLC Shareholders of the acquisition.
- In addition pays or reimburses Nevada Lithium for the costs incurred by Nevada Lithium or Sierra Lithium in perfecting the Claims for the Lithium Brine Projects and other Agreed Exploration Costs including geophysical surveys and other work preparatory to drilling, within 3 Business Days of Reedy Lagoon receiving notice from Nevada Lithium that those costs have been incurred. These costs are currently budgeted at \$760,000 and
- Issues to the Vendors a total of \$2,000,000 worth of RLC Shares in conjunction with a capital raising of not less than \$2,000,000 by Reedy Lagoon to fund drilling, such capital raising to be undertaken not later than 3 months after the date Nevada Lithium notifies Reedy Lagoon that it has determined drilling targets for the Lithium Brine Projects and provides estimates of the funding required to drill those targets. The value of a share to be issued to the Vendors is the offer price under this capital raising for drilling costs.

Reedy Lagoon is not committed to pay the Initial Sum or issue the \$2,000,000 worth of RLC Shares, but if it doesn't the Vendors can terminate the acquisition and retain any amounts previously paid by Reedy Lagoon.

Reedy Lagoon may be required to pay some Agreed Exploration Costs prior to the meeting to approve the acquisition, but if Reedy Lagoon shareholders do not approve of the acquisition, Nevada Lithium is required to reimburse Reedy Lagoon for any payment made.

Reedy Lagoon proposes to make an Entitlement Offer to raise capital to cover the cash payments required under the Share Purchase Agreement. The Entitlement Offer is seeking to raise \$2,100,000 by the issue of 70,000,000 shares at 3 cents each. The Directors are seeking to have the Entitlement Offer underwritten and, if shareholders approve the acquisition, will open the day after the meeting to approve the acquisition.

The issue of \$2,000,000 shares to the Vendors will not take place until a second capital raising is made, expected to be late in 2017. The amount to be raised under this second capital raising is not presently known nor is the offer price, but the Directors believe that it is likely that a capital raising of at least \$5,000,000 will be sought at a price of at least 6 cents per share. Such a capital raising would require Reedy Lagoon to issue 33,333,333 shares (9.7%) to the Vendors. The effect of different issue prices on the number of shares to be issued to the vendors is described in section 1.5 of the Independent Expert's report.

## EXPLANATORY STATEMENT

As part of the acquisition, Global Geo Management Pty Ltd, a company associated with Mr Geoff Balfe, geologist, has been engaged under a Consultancy Agreement to provide management and related services to Nevada Lithium in relation to the lithium brine projects. Needmore Investments Pty Ltd, another company associated with Mr Balfe, is one of the Vendors. The Agreed Exploration Costs, currently budgeted at approximately \$760,000, include payments under the Consultancy Agreement.

### 4. What if approval is not given?

If approval is not given, the acquisition will not proceed and the proposed capital raising will be withdrawn.

Reedy Lagoon will seek other proposals, but will need shareholder support to remain solvent.

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## DIRECTOR RECOMMENDATIONS AND VOTING INTENTIONS

The Directors (other than Adrian Griffin who declines to give a recommendation due to his material personal interest in the resolution) unanimously recommend that shareholders vote in favour of the resolution.

Each Director who gives a recommendation is of the opinion that the transactions contemplated by the resolution is in the best interests of shareholders for the reasons outlined in more detail in this Explanatory Statement.

Each Director who gives a recommendation intends to vote all of his (and his associates) shares in favour of each resolution in which he (or his associate) is entitled to vote.

Mr Geof Fethers, Managing Director of Reedy Lagoon expressed his delight in securing the right to acquire the project:

*“Global lithium production is expected to increase. Lithium demand is being generated not only by development of electric cars, but also from industrial scale use of lithium batteries to enable solar generated electricity to provide power to mining operations (for example, Sandfire’s DeGrussa mine in WA and the recent news that BHP is investing in this).*

*Lithium production costs are being reduced by advances in technology. Advances include new solvent extraction technologies using organic solvents which enable some lithium brines to be processed at low cost to produce lithium end products at exceptionally high purity. Waste streams from such processes ought to be suitable for reinjection into the source of the brines thereby eliminating the need for large evaporation dams and minimising environmental impact. The potential to use solar energy (with lithium batteries) to operate the mine makes a lithium brine project an exciting “green” investment . “*

## EXPLANATORY STATEMENT

## GLOSSARY

**\$** means Australian Dollars.

**Agreed Exploration Costs** means costs reasonably required to be incurred in staking Claims, geophysical surveying, perfecting title to the Claims and identifying targets for drilling in the Lithium Brine Projects, which costs are set out in the Fifth Schedule to the Share Purchase Agreement as “pre-drill costs”.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited or the financial market operated by ASX Limited as the context requires.

**ASX Listing rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** has the meaning in the ASX Listing Rules.

**Claim** means a Placer Mining Claim within the meaning of The General Mining Law of 1872 of the USA.

**Company** means Reedy Lagoon Corporation Limited.

**Corporations Act** means the Corporations Act 2001 (C’th).

**Director** means a current Director of the Company

**Explanatory Statement** means the explanatory statement accompanying this Notice.

**Independent Expert’s Report** means the report accompanying this Notice.

**Initial Sum** means \$209,000.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and Independent Expert’s Report.

**Vendor** means a shareholder in Nevada Lithium.

**Related Party Vendor** means Mr Adrian Griffin.

**RLC Share** means an ordinary share in the Company.

**Shareholder** means a registered holder of an RLC Share.

**Share Purchase Agreement** means the deed dated 22 December 2016 and made between the Nevada Lithium Shareholders, Nevada Lithium Pty Ltd and the Company.

21 February 2017

The Directors  
Reedy Lagoon Corporation Limited  
PO Box 2236 Richmond South  
VICTORIA 3121

### **Summary of Opinion**

**The Independent Expert has concluded that the transactions related to the issue of a total of \$2,000,000 Consideration Shares in RLC (including 25% of the Consideration Shares to the interests of Griffin) along with the payment of the Initial payment Sum and Agreed Exploration Costs as consideration for the Acquisition of NLL, and the subject of Resolution 1 as outlined in the Notice of General Meeting is fair and reasonable to the shareholders of the Company as at the date of this report.**

Dear Sirs

**Re: REEDY LAGOON CORPORATION LIMITED (RLC" OR "THE COMPANY") (ABN 41 006 639 514) ON THE PROPOSAL TO ACQUIRE ALL THE SHARES IN NEVADA LITHIUM PTY LTD ("NLL"), A COMPANY IN WHICH ADRIAN GRIFFIN ("GRIFFIN") (A DIRECTOR AND SHAREHOLDER OF RLC) CONTROLS A 25% SHAREHOLDING INTEREST - SHAREHOLDERS MEETING PURSUANT TO AUSTRALIAN SECURITIES EXCHANGE LIMITED ("ASX") LISTING RULE 10.1**

### **1. Introduction**

- 1.1 It is proposed that RLC will issue a total of \$2,000,000 shares ("Consideration Shares") in RLC to the shareholders of NLL and thereby RLC acquires all of the issued capital of NLL. In addition, RLC will pay NLL the Initial Payment Sum (as defined) of \$209,000 being reimbursement of expected costs associated with making and lodgement of claims ("Claims").

Furthermore, RLC will fund the costs incurred by NLL (or its wholly owned subsidiary, Sierra Lithium LLC ("SLL") in perfecting the Claims for the Lithium Brine Project and other Agreed Exploration Costs, including geophysical surveys and other preparatory to drilling costs currently estimated at \$760,000. SLL is in the process of acquiring interests in various Placer Mineral Claims prospective for Lithium (via Lithium Brine) in Southern Nevada in the USA ("Claims"). Resolution 1 refers to the proposed acquisition of NLL by the issue of the Consideration Shares to the NLL shareholders and payment of the Initial Payment and payment of the Agreed Exploration Costs to NLL (refer below).

- 1.2 The proposal to acquire 100% of NLL which has interests or is acquiring interests in various Claims is known in this report as the Acquisition. Further details are outlined below and in the Explanatory Statement ("ES") attached to the Notice of Meeting ("the Notice") to be forwarded to shareholders in March 2017.



1.3 The total Consideration payable to the shareholders of NLL for the Acquisition is as follows:

- \$2,000,000 of Consideration Shares in RLC to be issued at the same issue price of a planned Capital Raising (Stage 2) to be undertaken by RLC following shareholder approval of the Acquisition (see below);
- RLC will pay NLL the Initial Payment of \$209,000 following shareholder approval; and
- RLC will fund the Agreed Exploration Costs currently estimated at \$760,000 prior to the issue of the Stage 2 Capital Raising Shares and completion of the Acquisition.

All amounts paid by RLC in respect of the Agreed Exploration Costs which are paid prior to the meeting at which shareholder approval is sought will be refunded to RLC by NLL if RLC shareholder approval is not given.

1.4 NLL, through its subsidiary, SLL holds Lithium Brine Projects located in Nevada, USA title to which is being processed by registering Claims it has marked out and which are in the process of being registered in the name of SLL. The Claims cover 3 project areas, namely Columbus Salt Marsh (81 Claims); Big Valley Smoke (148 Claims) and Alkali Lake (128 Claims).

1.5 It is planned to undertake a two-step Capital Raising. The first is a planned entitlements issue of shares to raise up to \$2,100,000 made up of fully paid shares ("Entitlement Issue") in early April 2017. The actual issue price of the Entitlement Issue Shares has yet to be determined but may be in the vicinity of 3.0 cents each. It is noted that the shares currently trading on ASX for RLC is in the range of 1.5 cents to 1.9 cents (to 20 February 2017). If \$2,100,000 is raised at 3.0 cents, the number of Entitlement Shares issued would be 70,000,000.

The second Capital Raising ("Stage 2 Capital Raising") is planned to be undertaken in the third or last quarter of 2017 and following shareholder approval for the Acquisition. The issue price of the Stage 2 Capital Raising Shares has yet to be determined but RLC anticipates that the works undertaken in determining the drill programmes that are to be funded by the monies received from the Entitlements Issue may be in the vicinity of 6.0 cents for fully paid shares each. The Stage 2 Capital Raising may also be an entitlements (rights) issue to shareholders and at this stage it is planned to raise a gross \$5,000,000. If issued at 6.0 cents to raise \$5,000,000, the Stage 2 Capital Shares issued would amount to 83,333,333 (166,666,667 if issued at 3.0 cents each and 55,555,556 if issued at say 9.0 cents each).

The \$2,000,000 of Consideration Shares will be issued at the final issue price of the fully paid Stage 2 Capital Raising Shares.

The number of Consideration Shares that may be issued may be 33,333,333 if the Stage 2 Capital Raising Shares are issued at 6.0 cents each (and 66,666,667 and 22,222,222 respectively if the Stage 2 Capital Raising Shares are issued at 3.0 cents and 9.0 cents each respectively).

If 70,000,000 Entitlement Issue Shares were issued and 83,333,333 Stage 2 Capital Shares were issued, along with 33,333,333 Consideration Shares, the collective percentage interests of the Vendors of NLL may approximate 9.66% (and 14.44% and 7.26% respectively if the Stage 2 Capital Raising Shares were issued at 3.0 cents and 9.0 cents respectively).

- 1.6 Resolution 1 in the Notice and the ES refer to the Acquisition and proposed issue of the Consideration Shares. A total of 25% of the Consideration Shares are to be issued to the related party (see below) and Resolution 1, inter-alia seeks approval to issue such shares to the related party and also the non-related parties.
- 1.7 Completion of the Acquisition is subject to and conditional upon RLC shareholders approving the issue of the Consideration Shares to the NLL shareholders who are related parties pursuant to ASX Listing Rules 10.1 and 10.11 and Chapter 2E of the Corporations Act 2001.
- 1.8 Mr Adrian Griffin (“Griffin”), a non-executive Director of RLC is a 25% shareholder in NLL and also owns 5,075,661 shares in RLC.
- 1.9 ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a substantial holder or one of its associates, without the prior approval of holders of the entity’s ordinary shareholders.

***Substantial asset***

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value or the value of the consideration for it is, or in ASX’s opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the year ended 30 June 2016) were a negative \$186,920.

As the value of the Claims to be acquired via acquiring all of the shares in NLL is deemed to be more than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules, the Acquisition (of all of the shares in NLL) will result in the acquisition of a substantial asset.

- 1.10 As noted above, Griffin is a non-executive Director of RLC (and has an interest in 5,075,661 RLC shares) and is thus deemed a related party to RLC and thus ASX Listing Rule applies and approval by shareholders is required to approve the issue of the Consideration Shares and in particular the issue of 25% of the Consideration Shares to Griffin (or nominee). ASX Listing Rule requires an independent expert to report on the fairness and reasonableness of issuing Consideration Shares to the interests of Griffin (as a related party).
- 1.11 Accordingly, shareholder approval for the Acquisition is required for the purposes of ASX Listing Rule 10.1. ASX Listing Rule 10.10.2 requires that RLC provide its shareholders with an independent expert’s report on the fairness and reasonableness of issuing Consideration Shares (including Consideration Shares to the interests of Griffin as a related party). To report on the fairness and reasonableness of issuing Consideration Shares to the interests of Griffin and other related parties (encompassed in Resolution 1), we consider the Acquisition as a whole and the terms of the Acquisition (in effect covering all of the proposals noted in Resolution 1).
- 1.12 We have been requested by the Directors of RLC to prepare an Independent Expert’s Report (this report) for this purpose as noted in Resolution 1 and as referred to in the Notice and the ES attached to the Notice to be forwarded to shareholders in February 2017 or March 2017.

1.13 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals
- Corporate history and nature of business of RLC
- Future direction of RLC
- Basis of valuation of RLC shares and Value of Consideration
- Basis of valuation of the NLL
- Fairness of the Acquisition
- Conclusion as to fairness
- Reasonableness of the offer
- Conclusion as to reasonableness
- Sources of information
- Appendices A and B and our Financial Services Guide

1.14 In determining the fairness and reasonableness of the acquisition of NLL, we have had regard for the definitions set out by the Australian Securities and Investments Commission (“ASIC”) in its Regulatory Guide 111, “Content of Expert Reports”. Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness).

The concept of “fairness” is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the “target” and irrespective of whether the consideration is scrip or cash.

An offer is “reasonable” if it is fair. An offer may also be reasonable, if despite not being “fair”, there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer.

1.15 **In our opinion, the proposals as outlined in paragraphs 1.1 and 1.2 and Resolution 1 may, on balance, taking into account the factors referred to in 8 below and elsewhere in this report, be considered to be fair and reasonable to the shareholders of RLC (not associated with Griffin) as at the date of this report.**

1.16 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the independent valuation of Claims report on the Claims owned or to be owned by NLL’s subsidiary, SLL as prepared by Al Maynard & Associates Pty Ltd (“Maynard”) included as Appendix B to our report.

## 2. **Implications of the Proposals**

2.1 As at 21 February 2017, there are 158,276,946 ordinary fully paid shares on issue in RLC. The top 20 ordinary shareholders list as at 18 January 2017 discloses the following:

Shareholder	No. of fully paid ordinary shares	% of issued fully paid ordinary shares
Pyrope Holdings Pty Ltd (G Fethers)	14,174,167	8.96
Jagen Pty Ltd	10,916,667	6.90
Sked Pty Ltd	9,179,844	5.80
Citycastle Pty Ltd	8,087,484	5.11
Pyrope Holdings Pty Ltd	6,886,740	4.35
Jonathan Mark Hamer	5,751,855	3.63
	<u>54,996,757</u>	<u>34.75</u>

2.2 The top 20 shareholders according to the top 20 shareholders list at 18 January 2017 owned approximately 57.70% of the ordinary issued capital of the Company. Adrian Griffin is registered as owning a total of 5,075,661 shares in RLC representing an approximate 3.21% shareholding interest in RLC.

2.3 It is planned to undertake a two-step Capital Raising. The first is a planned entitlements issue of shares to raise up to \$2,100,000 made up of fully paid shares (the Entitlement Issue) in early April 2017. The actual issue price of the Entitlement Issue Shares has yet to be determined but may be in the vicinity of 3.0 cents each. It is noted that the shares currently trading on ASX for RLC is in the range of 1.7 cents to 1.9 cents (to 13 February 2017). If \$2,100,000 is raised at 3.0 cents, the number of Entitlement Shares issued would be 70,000,000.

The second Capital Raising (the Stage 2 Capital Raising) is planned to be undertaken in the third or last quarter of 2017 and following shareholder approval for the Acquisition. The issue price of the Stage 2 Capital Raising Shares has yet to be determined but RLC anticipates that the works undertaken in determining the drill programmes that are to be funded by the monies received from the Entitlements Issue may be in the vicinity of 6.0 cents for fully paid shares each. The Stage 2 Capital Raising may also be an entitlements (rights) issue to shareholders and at this stage it is planned to raise a gross \$5,000,000. If issued at 6.0 cents to raise \$5,000,000, the Stage 2 Capital Shares issued would amount to 83,333,333 (166,666,667 if issued at 3.0 cents each and 55,555,556 if issued at say 9.0 cents each).

The \$2,000,000 of Consideration Shares will be issued at the final issue price of the fully paid Stage 2 Capital Raising Shares.

The number of Consideration Shares that may be issued may be 33,333,333 if the Stage 2 Capital Raising Shares are issued at 6.0 cents each (and 66,666,667 and 22,222,222 respectively if the Stage 2 Capital Raising Shares are issued at 3.0 cents and 9.0 cents each respectively).

If 70,000,000 Entitlement Issue Shares were issued and 83,333,333 Stage 2 Capital Shares were issued, along with 33,333,333 Consideration Shares, the collective percentage interests of the Vendors of NLL may approximate 9.66% (and 14.44% and 7.26% respectively if the Stage 2 Capital Raising Shares were issued at 3.0 cents and 9.0 cents respectively).

However, the actual number of shares to be issued for the Entitlement Issue and Stage 2 Capital Raising and Consideration may be more or less.

25% of the Consideration Shares that are to be issued are to be issued to Griffin. It is noted that the interests of Griffin already have an interest in 5,075,661 shares in RLC.

- 2.4 The current Board of Directors is not expected to change in the near future as a result of the Acquisition. The Board is currently Jonathan M Hamer (Non-Executive Chairman), Geoffrey H Fethers (Managing Director) and Adrian C Griffin (Non-Executive Director). The Company Secretary is Geoffrey H Fethers. Additional Board members may be added in the future as the needs arise.
- 2.5 All of the Claims (once granted and registered) after completion of the Acquisition will be owned by NLL's subsidiary SLL but NLL will become a wholly owned subsidiary of RLC (as will SLL). RLC will post Acquisition fund the exploration and operating costs of NLL/SLL.

RLC will reimburse NLL the Initial Payment sum of \$209,000. In addition, RLC will fund the Agreed Exploration Costs currently estimated at \$760,000.

- 2.6 Share Options outstanding are noted below:

- 900,000 exercisable at 20 cents each, on or before 31 December 2017;
- 900,000 exercisable at 1.1 cents each, on or before 31 December 2018;
- 900,000 exercisable at 1.33 cents each, on or before 31 December 2019.

### **3. Corporate History and Nature of Businesses**

#### **RLC**

- 3.1 Principal Exploration assets are:

- Edward Creek Uranium Project (100%) in South Australia (minimum work being undertaken);
- Cassilis Gold Project (1 million shares issued and option to purchase for 3 million shares in RCL plus a 2% gold royalty).

#### **NLL**

- 3.2 NLL was incorporated on 16 November 2016 and has 2,000,000 shares on issue owned 500,000 by Griffin, 800,000 by Needmore Investments Pty Ltd (associated with Geoff Balfe) and 700,000 owned by MPF Exploration Pty Ltd (associated with Barry Woodhouse). NLL has acquired all of the shares in SLL. SLL is currently in the process of acquiring three lithium brine projects called Columbus Salt Marsh, Big Smokey Valley and Alkali Lake ("Claims") in Esmeralda County, Nevada, USA and may acquire further Claims.

Further details on NLL (and RLC) are outlined in the EM attached to the Notice and announcements made by RLC in January and February 2017 (to the date of this report). All shareholders should read the ES and the Maynard Valuation Report on the potential Claim interests of SLL by Maynard to gain a fuller picture on the prospectivity of the Claims before voting on Resolution 1.

4. **Future Directions of RLC**

4.1 We have been advised by the directors and management of RLC, that:

- There are no proposals currently contemplated either whereby RLC will acquire any further assets from the shareholders of NLL (however RLC will issue Consideration Shares to the shareholders of NLL as outlined above in relation to the Acquisition) or where RLC will transfer any of its property or assets to the shareholders of NLL);
- The composition of the Board is not proposed to change in the short term;
- The Company proposes to undertake an Entitlements Issue (in the second quarter of 2017) and a Stage 2 Capital Raising (in the last quarter of 2017);
- No dividend policy has been set; and
- The Company will endeavour to enhance the value of the Claims being acquired via acquiring all of the shares in NLL and undertake further exploration on its existing mineral projects.

5. **Basis of Valuation of RLC Shares and Value of Consideration**

5.1 Shares

5.1.1 In considering the proposal to acquire all of the Claims, via acquiring all of the shares in NLL, we have sought to determine if the consideration payable by RLC to the shareholders of NLL is fair and reasonable to the existing non-associated shareholders of RLC.

5.1.2 The offer would be fair to the existing non-associated shareholders if the value of the shares in NLL being acquired by RLC is greater than the implicit value of the Consideration Shares (ordinary shares) being offered as consideration.

As the share component of the Acquisition is \$2,000,000 of Consideration Shares there is no need to value a share in RLC based on methodologies including capitalised maintainable earnings/discounted cash flows; takeover bid prices; adjusted net asset backing/wind up value and market prices (but noting that the issue price of the Consideration Shares are to be the same as the issue price of the Stage 2 Capital Raising Shares to be issued and the issue price may be more or less than the current share prices of late January 2017 to 20 February 2017) – refer above for possible issue prices as suggested by the directors of RLC.

It is noted that as at 30 June 2016, there was a net liability position of around \$186,920 for RLC. The unaudited financial position of RLC as at 31 December 2016 approximated \$91,992 after raising a gross \$314,000 from a share placement in the six months to 31 December 2016.

5.2 The future value of a RLC share will depend upon, inter alia:

- the future success of the Claim interests being obtained via the Acquisition and the future success of the existing mineral projects of RLC;
- the state of Australian and overseas stock and metal markets;
- the strength and performance of the Board and management and/or who makes up the Board and management;
- Foreign exchange rates;
- general economic conditions;
- the liquidity of shares in RLC; and
- possible ventures and acquisitions entered into by RLC.



- 5.3 The Consideration Shares are to be issued at the issue price of the Stage 2 Capital Raising Shares and the number of Consideration Shares that may be issued (range) are outlined above.
- 5.4 We note that Griffin does not have Board control of RLC before the Acquisition pursuant to Resolution 1. It is not expected to change the composition of the Board in the near future.
- 5.5 The overall initial Consideration is as follows:
- \$2,000,000 of Consideration Shares in RLC to be issued at the same issue price of a planned Stage 2 Capital Raising to be undertaken by RLC following shareholder approval of the Acquisition. The actual issue price of the Stage 2 Capital Raising Shares (and the first stage Entitlement Shares as noted above) has yet to be determined;
  - RLC will pay NLL the Initial Payment sum of \$209,000; and
  - RLC will fund the Agreed Exploration Costs currently estimated at \$760,000 prior to the issue of the Stage 2 Capital Raising Shares.

## **6. Valuation of NLL**

- 6.1 NLL is an unlisted public company and therefore valuing the shares on a takeover basis and on a market based approach are not that relevant. There are no indications that other parties wished to acquire all of the shares in NLL other than RLC. NLL was initially formed with the objective to obtain a suite of Claims (more fully described in the Maynard Valuation Report referred to below). The shareholders in NLL do not have an active market to trade their shares.
- 6.2 Stantons International Securities Pty Ltd appointed Maynard to prepare a valuation report (the Maynard Valuation Report) on the Claim interests of the NLL group. The Maynard Valuation Report should be read in its entirety and a full copy of the Maynard Valuation Report is attached as Appendix B to our report. The Maynard Valuation Report ascribes a range of values to the interests to the Claims and for the purposes of our report we have used the low, high and mid range market valuations referred to in the Maynard Valuation Report.
- 6.3 We have used and relied on the Maynard Valuation Report on the Claims and have satisfied ourselves that:
- Maynard is a suitably qualified geological consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the authors and peer reviewer of the report are suitably qualified and experienced);
  - Maynard is independent from RLC and NLL; and
  - Maynard, to the best of our knowledge has employed sound and recognised methodologies in the preparation of the Maynard Valuation Report on the Claims.
- 6.4 Maynard has ascribed a range of values to the Claims as follows:

	<b>Low</b>	<b>Preferred</b>	<b>High</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Claims (all)	<u>8,300,000</u>	<u>9,200,000</u>	<u>10,200,000</u>

- 6.5 Completion of the Acquisition is conditional on all necessary due diligence being successfully completed on the ownership interests of the Claims. The Acquisition will not proceed until title to the Claims is in the name of SLL, and the Capital Raising of a minimum of \$2,000,000. See details above on the planned two stage capital raisings via an Entitlements Issue and the Stage 2 Capital Raising.
- 6.6. We have assumed that by the time of completion of the Acquisition, the liabilities of the NLL Group (incorporating NLL and SLL) will approximate \$209,000 being equal to the Initial Payment Sum. Taking into account such liability and adding the range of values of the Claims, the fair range of values of NLL is between \$8,091,000 (low) and \$9,991,000 (high) with a preferred fair value of \$8,991,000.

7. **Conclusion as to Fairness**

- 7.1 The proposal to acquire NLL for the Consideration noted in paragraph 5.5 above is believed fair to RLC's non-associated shareholders if the value of the Consideration offered is equal to or less than the value of NLL. The valuation of mineral interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.
- 7.2 We have examined below the value attributable to the Consideration Shares proposed to be issued by RLC to the shareholders of NLL (deemed to be \$2,000,000 as noted above).

	Low \$	Preferred \$	High \$
Assessed value of Share Consideration	2,000,000	2,000,000	2,000,000
Initial Payment Sum	209,000	209,000	209,000
Agreed Exploration Costs (refer below)	760,000	760,000	760,000
Total initial consideration	2,969,000	2,969,000	2,969,000
Assessed value of NLL	8,091,000	8,991,000	9,991,000
Excess of value of NLL over the Consideration payable	5,122,000	6,022,000	7,022,000

RLC will fund the Agreed Exploration Costs currently estimated at \$760,000 and is deemed part of the Acquisition Costs as it is planned that such sum will have been spent by RLC by the time the Acquisition is completed.

- 7.3 **Based on the above, in our opinion the proposals with the shareholders of NLL as outlined in Resolution 1 to the Notice is considered to be fair at the date of this report and thus the issue of Consideration Shares to the interests of Griffin (as outlined in Resolution 1) are also deemed fair to the non-associated shareholders of RLC at the date of this report.**



8. **Reasonableness of the Acquisition**

- 8.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Acquisition that we considered in arriving at our conclusion on the reasonableness of the Acquisition and in particular the proposals pursuant to Resolution 1.

**Advantages**

- 8.2 The Acquisition as noted above is considered fair based on the range of valuations provided by Maynard.
- 8.3 The Company's current exploration interests are in the main on hold and the Company needs to obtain new exploration interests to enhance shareholder value and retain its listing on ASX. The Company by increasing the number of mineral prospects (via the Acquisition) increases the opportunity to have commercial success. Diversification into a number of new mineral areas by acquiring the Claims (via NLL) may reduce the risk (but at the same time RLC is taking on commitments. There is considerable interest by investors for companies with interests in lithium projects.
- 8.4 The Company may be able to raise further funds by way of share equity as a result of acquiring the Claims (via NLL). As part of the conditions precedent, the Company will raise a minimum from a new Capital Raising of \$2,000,000 – refer above for a planned Entitlements Issue and Stage 2 Capital Raising. As at 20 February 2017 the Company has minimal funds and is near insolvency (in the absence of a new capital raising). The raising of new capital will revitalise the Company and allow it to continue in its exploration activities (including its existing mineral interests noted above).

It is expected that the Company may raise further funds in 2017/18 but this will depend on a number of factors, including, inter-alia prospectivity of the Claims (and the existing RLC exploration assets) and the state of the markets.

- 8.5 There is an incentive for the NLL shareholders, including Griffin to make RLC a viable mineral exploration company as the interests of Griffin will increase its shareholding interest in RLC (as noted above).

**Disadvantages**

- 8.6 The number of fully paid ordinary shares on issue would rise (see paragraph 2.3 above) after issuing the Consideration Shares and the proposed Entitlement Shares and Stage 2 Capital Raising Shares. This could represent a significant increase in the number of shares on issue.

**Other Factors**

- 8.7 RLC may need to raise further significant working capital (in addition to the minimum Capital Raising of \$2,000,000 but proposed to be substantially more as noted above) to spend on exploration and evaluation of the Claims. The timing and number of shares that may be issued to raise additional capital is not yet ascertained however any future capital raisings may further dilute the current non associated shareholders' interests in RLC.
- 8.8 The Claims may not turn out to be commercially viable and thus losses may be incurred. Companies involved in mineral exploration acquire new Claims on a regular basis and thus RLC acquiring new tenement interests is not unusual. RLC will need to fund the on-going exploration commitments of NLL that currently are planned to be \$760,000 (to be spent before the Acquisition is completed) but depending on exploration results could be substantially more (refer above on funds proposed to be raised).

- 8.9 The share price of RLC is dependent upon exploration success (or otherwise) and by having further Claims (by acquiring the Claims interests by acquiring NLL) theoretically increases the chance of success (but commercial success cannot be assured).
- 8.10 It is noted that for accounting purposes in the books of RLC, the Consideration Shares will be booked at a deemed market value of \$2,000,000. The number of Consideration Shares to be issued will be based on the issue price of the shares to be issued by RLC via the proposed Stage 2 Capital Raising (not the final issue price of fully paid shares under the proposed Entitlements Issue).
- 8.11 The net book assets of RLC prior to the Acquisition (as at 31 December 2016) are estimated at \$91,992 (and possibly negative at the date of this report) whilst post the minimum \$2,000,000 Capital Raising (and allowing for Capital Raising costs of \$200,000) and Acquisition, the net book assets of the RLC Group that will include ownership of the Claims owned by NLL's proposed subsidiary, SLL is estimated to be a minimum of \$3,800,000 (including net proceeds from the Entitlements Issue that may approximate \$1,900,000). However, if the proposed Entitlements Issue amount is higher and the Stage 2 Capital Raising is completed, the net asset position would be substantially higher.

9. **Conclusion as to Reasonableness**

- 9.1 **After taking into account the factors referred to in 8 above and elsewhere in this report we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed Acquisition as noted in paragraphs 1.1 and 1.2 and Resolution 1 in the Notice may be considered, on balance, to be reasonable to the existing non-associated shareholders of RLC at the date of this report (including the interests of Griffin).**

10. **Shareholder Decision**

- 10.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the issue of \$2,000,000 of Consideration Shares to the shareholders of NLL (and in particular, the issue of Consideration Shares to the interests of Griffin) is fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolution 1 but we have been requested to determine whether the proposals pursuant to Resolution 1 are fair and/or reasonable to those shareholders not associated with Griffin. The responsibility for such a voting recommendation lies with the directors of RLC.
- 10.2 In any event, the decision whether to accept or reject Resolutions 1 is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position.
- If in any doubt as to the action they should take in relation to the proposals under Resolution 1 shareholders should consult their own professional adviser.
- 10.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in RLC. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposals under Resolution 1. Shareholders should consult their own professional adviser in this regard.

**11. Sources of Information**

11.1 In making our assessment as to whether the proposed Acquisition as noted in paragraphs 1.1 and 1.2 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, NLL, SLL and the Claims that is relevant to the current circumstances. In addition, we have held discussions with the management of RLC about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of RLC.

11.2 Information we have received includes, but is not limited to:

- a) Drafts of the Notice of RLC and ES to 21 February 2017;
- b) Discussions and/or correspondence with management of RLC and NLL;
- c) Details of historical market trading of RLC ordinary fully paid shares recorded by ASX for the period 1 January 2016 to 20 February 2017;
- d) Shareholding details of RLC as supplied by the Company's share registry as at 18 January 2017;
- e) Audited financial statements of RLC as at 30 June 2016;
- f) Unaudited balance sheet of RLC as at 31 December 2016;
- g) Announcements made by RLC to the ASX from 1 January 2015 to 20 February 2017;
- h) The unaudited financial statements of NLL to 31 December 2016;
- i) Shareholding list of NLL;
- j) The Share Purchase Agreement executed on 22 December 2016 for the proposed acquisition of the shares in NLL;
- k) Estimated acquisition costs of NLL as supplied by RLC;
- l) The Maynard Valuation Report on the Claims dated 17 February 2017; and
- m) The Information Memorandum issued by NLL.

11.3 Our report includes Appendices A and B our Financial Services Guide attached to this report.

Yours faithfully

**STANTONS INTERNATIONAL SECURITIES PTY LTD**  
**(Trading as Stantons International Securities)**



**J P Van Dieren - FCA**  
**Director**

## **APPENDIX A**

### **AUTHOR INDEPENDENCE AND INDEMNITY**

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 21 February 2017, relating to the issue of a total of \$2,000,000 of Consideration Shares to be issued to the shareholders of NLL pursuant to Resolution 1 (and in particular the issue of Consideration Shares to the interests of Griffin) and as disclosed in the Notice of Meeting to Shareholders and the Explanatory Statement proposed to be distributed to the RLC shareholders in March 2017.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with RLC, Griffin and NLL other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International Securities Pty Ltd and Stantons International Audit and Consulting Pty Ltd considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at a maximum of \$22,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities Pty Ltd nor John P Van Dieren and Martin Michalik have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) do not hold any securities in RLC and NLL. There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd, Mr J Van Dieren and Mr Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

### **QUALIFICATIONS**

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (no 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Audit and Consulting Pty Ltd are the directors of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, and Mr Martin Michalik, ACA, the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

## **DECLARATION**

This report has been prepared at the request of the Directors of RLC in order to assist them to assess the merits of the proposals as noted in Resolution 1 to which this report relates. This report has been prepared for the benefit of RLC's shareholders and does not provide a general expression of Stantons International Securities Pty Ltd's opinion as to the longer term value of RLC, NLL and the value of the Claims. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of RLC, NLL and SLL. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

## **DUE CARE AND DILEGENCE**

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposals set out in Resolution 1 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 1.

## **DECLARATION AND INDEMNITY**

Recognising that Stantons International Securities Pty Ltd may rely on information provided by RLC and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd experience and qualifications), RLC has agreed:

- (a) To make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which RLC may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by RLC; and
- (b) To indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from RLC or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of RLC or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd

A draft of this report was presented to the RLC directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE  
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD  
(Trading as Stantons International Securities)  
Dated 21 February 2017**

1. Stantons International Securities Pty Ltd ABN 42 128 908 289 and Financial Services Licence 448697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

**5. Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

**6. Remuneration or other benefits received by our employees**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

**7. Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

**8. Associations and relationships**

SIS is ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

**9. Complaints resolution**

**9.1 Internal complaints resolution process**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer  
Stantons International Securities Pty Ltd  
Level 2  
1 Walker Avenue  
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.



## **9.2 Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
PO Box 3  
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399

## **10. Contact details**

You may contact us using the details set out above.

Telephone	08 9481 3188
Fax	08 9321 1204
Email	<a href="mailto:jvdieren@stantons.com.au">jvdieren@stantons.com.au</a>



**APPENDIX B**

**INDEPENDENT TECHNICAL VALUATION OF THE MINERAL CLAIMS OF SLL  
("MAYNARD VALUATION REPORT")**

**AL MAYNARD & ASSOCIATES Pty Ltd**  
**Consulting Geologists**

[www.geological.com.au](http://www.geological.com.au)

**ABN 75 120 492 435**

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***Australian & International Exploration & Evaluation of Mineral Properties***

INDEPENDENT TECHNICAL VALUATION  
OF  
REEDY LAGOON CORPORATION LTD'S  
MINING TENEMENTS  
NEVADA- USA

PREPARED FOR  
STANTONS INTERNATIONAL SECURITIES PTY LTD

Author: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM  
Peer Review: Brian J. Varndell BSc (SpecHonsGeol), FAusIMM (No111022)  
Company: Al Maynard & Associates Pty Ltd  
Date: 17<sup>th</sup> February, 2017

## EXECUTIVE SUMMARY

This Independent Technical Valuation (“ITV”) report of the Reedy Lagoon Corporation Limited’s (“RLC”) mining tenements in the U.S State of Nevada has been prepared by Al Maynard & Associates (“AM&A”) at the request of Mr J. Van Dieren of Stantons International Securities Pty Ltd (“Stantons”) for inclusion in Stanton’s Independent Expert’s Report (“IER”).

This report provides an independent technical valuation of three Lithium brine exploration areas as at 10<sup>th</sup> February, 2017. This report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert’s Reports 2015 (the “Valmin Code”) as adopted by the Australian Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”).

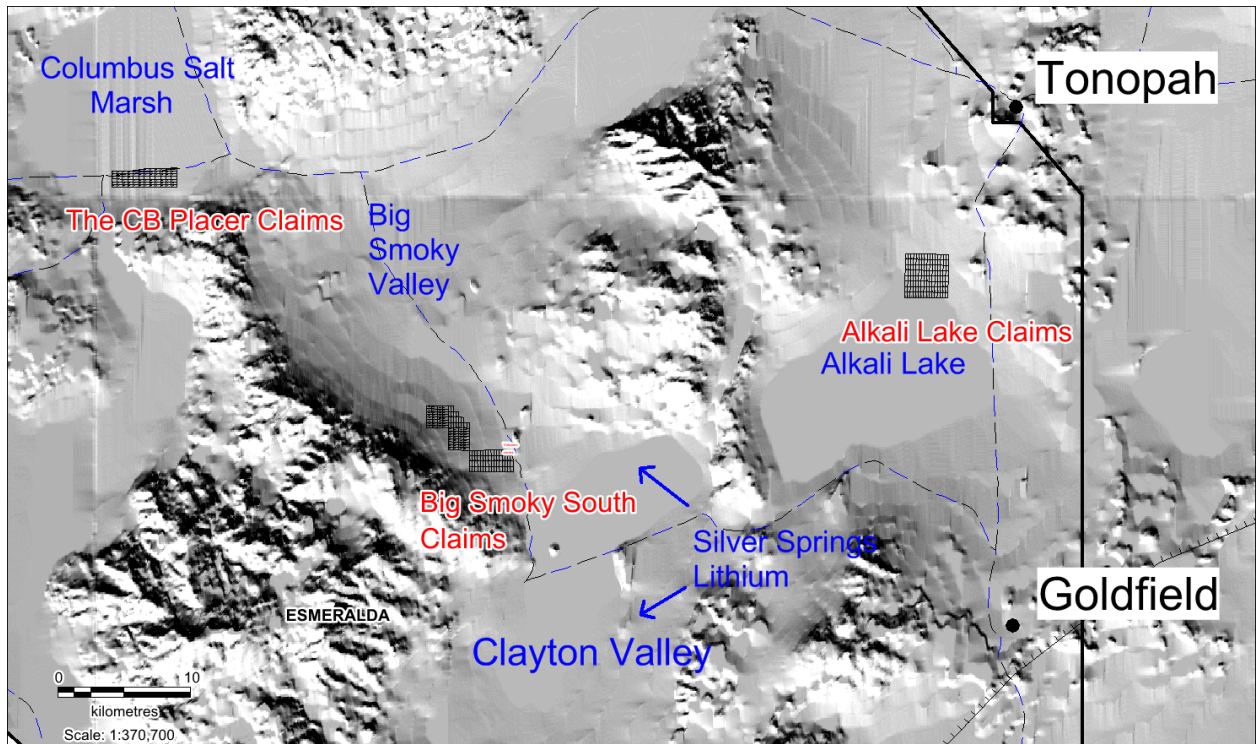
RLC is a public company listed on the Australian Stock Exchange (“ASX Code: RLC”). The Company’s business is mineral exploration. The Company has the right to acquire three blocks of Placer Claims(Project areas) outright covering a total area of 2,888 hectares (Fig 1).

This valuation appraises these projects using relevant comparable transactions where applicable.

Given the relevance of the assumptions and factors underlying the development and conceptual prospectivity for resources of the project, AM&A has concluded that it is reasonable to rely on this data for the purposes of this report and the derivation of a current valuation accordingly based on that information. AM&A has relied on the technical data supplied by RLC and accepted that data in reaching our conclusions.

The summary of the valuation conclusions is presented in Table 5. This current valuation has used a combination of comparable transactions with additional reference to exploration target ranges.

This Report concludes that the cash value of 100% of the RLC ‘Lithium Brine Projects in Nevada, U.S.A. is ascribed at A\$9.2 million from within the range of \$8.3 million to \$10.2 million.



**Figure 1.** Digital Terrane Image Showing Location of the Claims (After Balfe, G;2016)

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The Directors,  
Stantons International Securities Pty Ltd  
Level 2, 1 Walker Avenue  
West Perth WA 6005  
Australia

17<sup>th</sup> February, 2017

Dear Sirs,

**VALUATION OF REEDY LAGOON CORPORATION'S CLAIMS IN NEVADA, U.S.A.**

**1.0 Introduction**

This Independent Technical Valuation Report ("ITV") of the Reedy Lagoon Corporation Limited's ("RLC"; "the Company") staked placer claims in Nevada, U.S.A., has been prepared by Al Maynard & Associates ("AM&A") at the request of Mr J. Van Dieren of Stantons International Securities Pty Ltd ("Stantons") for inclusion in Stanton's Independent Expert's Report ("IER") to shareholders of RLC.

RLC is a public company listed on the Australian Stock Exchange ("ASX Code: RLC") and its principal business is mineral exploration.

This report provides an independent technical valuation of the RLC Claims in Nevada, as at 10<sup>th</sup> February, 2017. The report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports 2015 (the "Valmin Code") as adopted by the Australian Institute of Geoscientists ("AIG") and the Australasian Institute of Mining and Metallurgy ("AusIMM") and specifically:-

- ASIC Regulatory Guideline 111 – Content of expert's Reports ("RG 111")
- ASIC Regulatory Guideline 112 – Independence of Experts ("RG 112"); and

The assets valued in this report are the Placer Claims being acquired by RLC located in the U.S.A. State of Nevada.

***1.1 Scope and Limitations***

This Report is valid as of 17<sup>th</sup> February, 2017 which is the date of the latest review of the data and technical information and there have been no material changes to this data or valuation since that date. The valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the mineral assets concerned or by other explorers on prospects in the near environs. The valuation could also possibly be affected by the consideration of other exploration data from adjacent licences with production history affecting the mineral assets which have not been made available to the writers.

In order to form an opinion as to the value of any mineral asset, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likelihood of exploration success. The authors have taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers' technical training and 40 years' experience in the exploration and mining industry. Whilst the opinions expressed represent the writers' professional opinion at the time of this Report, these opinions are not however, forecasts as it

is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral asset.

The information presented in this Report is based on technical reports provided by RLC supplemented by our own inquiries as to the reasonableness of the supplied data. At the request of AM&A, copies of relevant technical reports and agreements were readily made available. There is also information available in the public domain and relevant references are listed in Section 7.0 –References. No recent site visit was undertaken since a field trip to “Observe salt lakes” from their surface would yield no practical knowledge and sufficient technical information is provided to enable an informed opinion to be derived.

RLC will be invoiced and expected to pay a fee, estimated between \$9,000 and \$11,000 (+GST) for the preparation of this Report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report. Except for these fees, neither the writer nor any family members nor Associates have any interest, nor the rights to any interest in RLC nor any interest in the mineral assets reported upon. RLC has confirmed in writing that all technical data known it was made available to the writer.

The valuation presented in this Report is restricted to a statement of the fair value of the mineral asset package. The Valmin Code defines fair value as “The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms’ length transaction, wherein each party had acted knowledgeably, prudently and without compulsion”.

It should be noted that in all cases, the fair valuation of the mineral assets presented is analogous with the concept of “valuation in use” commonly applied to other commercial valuations. This concept holds that the assets have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the “Range of Values” as shown in Table 5, section 6. Regarding the Project it is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of the relevant area to enable an understanding of the geology. This provides adequate information to enable an informed opinion as to the current value of the mineral assets.

## ***1.2 Statement of Competence***

This Report has been prepared by Allen J. Maynard and Brian J. Varndell. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) (No 104986) and a Member of the Australian Institute of Geoscientists (“AIG” #2062). He has had over 35 years of continuous experience in mineral exploration and evaluation and more than 30 years’ experience in mineral asset valuation. Brian J. Varndell BSc (SpecHonsGeol), FAusIMM (No111022), is a geologist with over 40 years in the industry and 35 years in mineral asset valuation. The writers each hold the appropriate qualifications, experience and independence to qualify as an independent “Expert” and “Competent Person” under the definitions of the Valmin Code.



## **2.0 Valuation of the Mineral Assets – Methods and Guides**

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17th February, 1995 – the Valmin Code (recently updated 2012). AM&A has derived the estimates listed below using the Yardstick method for the current technical value of the mineral assets.

The ASIC publications “Regulatory Guides 111 & 112” have also been referred to and duly considered in relation to the valuation procedure. The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a “fair value”. This is a value that an informed, willing, but not anxious, arms’ length purchaser will pay for a mineral (or other similar) asset in a transaction devoid of “forced sale” circumstances.

### **2.1 General Valuation Methods**

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms’ length transactions,
- Precedents from similar comparable asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and rule of thumb or yardstick approach.

### **2.2 Discounted Cash Flow/Net Present Value**

This method provides an indication of the value of a mineral asset with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project.

Net present value (‘NPV’) is determined from discounted cash flow (‘DCF’) analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

### **2.3 Joint Venture Terms**

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the mineral asset. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots mineral assets are involved.

### **2.4 Similar or Comparable Transactions**

When commercial transactions concerning mineral assets in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the mineral asset under consideration.

## 2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a mineral asset with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that take into account the valuer's judgment of the prospectivity of the mineral asset and the value of the database. PEMs can typically range between 'zero' to 3.0 and occasionally up to 5.0 where very favourable exploration results have been achieved, applied to previous exploration expenditure to derive a dollar value. Typical PEM Factors are shown in Table 1.

**Table 1: Typical PEM Factors**

PEM Range	Criteria
0.1 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources

## 2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the mineral asset that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the mineral asset. The factors are then applied serially to the BAC of each mineral asset in order to derive a value for the mineral asset. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

## *2.7 Empirical Methods (Yardstick – Real Estate)*

The market value determinations may be made according to the independent expert's knowledge of the particular mineral asset. This can include a discount applied to values arrived at by considering conceptual target models-including exploration targets, for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration mineral asset based on current market prices for equivalent assets, existing or previous joint venture and sale agreements, the geological potential of the mineral assets, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation.

This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

## *2.8 General Comments*

The aims of the various methods are to provide an independent opinion of a "fair value" for the mineral asset under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the mineral asset valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where no known resource exists and are not applicable to mineral assets without an identified resource or reserve.

The values derived for this Report have been concluded after taking into account the general geological environment for the mineral assets under consideration with respect to the exploration potential of each tenement.

## *2.9 Environmental implications*

Information to date is that there are no identified existing material environmental liabilities on the mineral assets. Accordingly, no adjustment was made during this Report for environmental implications.

## *2.10 Indigenous Title Claims*

No Native Title claims or U.S.A. equivalents have been indicated to AM&A.

## *2.11 Commodities-Metal prices*

Where appropriate, current metal prices are used sourced from the usual metal market publications or commodity price reviews (e.g. "Kitco.com" or "Metalprices.com").

## *2.12 Resource/Reserve Summary*

There are no JORC Code (2012) compliant resource estimates declared for the Projects.

## *2.13 Previous Valuations*

No previous valuations of the tenement package are known to the authors.

### *2.14 Encumbrances/Royalty*

The Projects may be subject to government royalties as stipulated by the Government where ever applicable.

## **3.0 Background Information**

### *3.1 Introduction*

This valuation has been provided by way of a detailed study of existing information and field data provided by RLC regarding information gathered for the projects to date, since no JORC Code (2012) compliant resource estimates have been attempted to date.

### *3.2 Specific Valuation Methods*

There are various methods acceptable for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Proved & Probable Reserves to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources may exist. These are discussed above in Section 2.0.

For the RLC projects the consideration of exploration target ranges supplemented by comparable transactions has been applied to determine a value range as at 10<sup>th</sup> February, 2017 by a and preferred or most likely value ascribed within that range.

### *3.3 Tenement Holding*

RLC has the right to acquire three project areas of staked claims (Table 2). The Company provided the full tenement details to AM&A.

Table 3 lists tenements with items relating to tenement acquisition and/or dealings and Table 4 lists the details for all the tenements.

Three project areas were staked with placer claims in Esmeralda County in the following valleys (fig 1):

**Columbus Salt Marsh:** 81 claims – 1,620 acres (655 ha)

**Big Smoky Valley:** 148 claims – 2,960 acres (1,197 Ha)

**Alkali Lake:** 128 claims – 2,560 acres (1,036 ha)

In accordance with the US General Mining Law (1872) placer claims of no more than 20 acres (8.09371 ha) in size were staked to secure the mining rights over the target areas. Reedy Lagoon can now report that all claims have been duly recorded with Esmeralda County and filed with the US Federal Bureau of Land Management (BLM). Details of the claim numbers are presented in the table below:

Claim Name	Claim Numbers	Corresponding BLM NMC Number	Total Claims	Total Area
<b>CB Claims</b>	CB-1 to CB-12 CB-17 to CB-28 CB-33 to CB-44 CB-47 to CB-60 CB-63 to CB-76 CB-79 to CB-95	NMC 1138099 to NMC 1138179	81	655 ha
<b>(Columbus Salt Marsh)</b>				
<b>MB Claims</b>	MB-53 to MB-68 MB-77 to MB-82 MB-89 to MB-96 MB-101 to MB- 228	NMC 1138180 to NMC 1138327	148	1,197 ha
<b>(Big Smoky Valley South)</b>				
Claim Name	Claim Numbers	Corresponding BLM NMC Number	Total Claims	Total Area
<b>WH Claims</b>	WH-1 to WH-128	NMC 1138328 to NMC 1138455	128	1,036 ha
<b>(Alkali Lake)</b>				

Table 2: RLC - Details Relating to Tenement Acquisition (Staked Claims).

## 4.0 Previous Exploration

### 4.1 Introduction

There is no record of previous lithium exploration or production from the subject placer claims. Nevada Bureau of Mines and Geology Bulletin 78 "Geology and Mineral Deposits of Esmeralda County, Nevada", documents previous production of borax from Columbus Salt Marsh as early as 1864. The borax occurs as "ulexite" 1 to 6 inches below the lake surface in mud, silt and sand around the edges of the playa. Potassium salts were reported from one well in Columbus Salt Marsh with a water soluble salt content of 2.84% of which 5.17% was potassium salt. Bulletin 78 also reports that Alkali Spring on the south side of Alkali Flat contains lithium (but no analytical data is given) while Alkali Flat does not. There are no reports of prior exploration for lithium in the Big Smoky Valley South claim area.

### 4.2 Regional Geology

Esmeralda County is located in the south west part of Nevada adjacent to the border with California. The southern part of the county represents the northern flank of the Sierra Nevada mountain range and much of the county lies within the greater Death Valley drainage catchment area.

Although the mountain ranges can reach 3,000m AMSL the intermontane valleys represent areas of extension (subsidence) with topographic levels as low as 1300m in the Silver Peak area. The mountain ranges form a series of northwest trending ridges associated with the accretionary phase of the Pacific Plate against the North American continent.

Around the end of the Tertiary period the tectonics changed from compression to transpression with dominant right lateral faulting. This resulted in large-scale tilting and rotation of crustal blocks that exposed Precambrian basement rocks in uplifted areas. Tertiary and Recent volcanic rocks are widespread in southern Nevada and are considered to be the likely source of lithium in the brines.

Triassic and Jurassic plutonic rocks of quartz monzonite composition are widely distributed in Esmeralda County intruding through the basement metasedimentary sequence. They have also been postulated as a source of lithium in the brines.

## **5.0 Current Prospects (After Balfe, G; 2016)      Project Generation**

Geologic data for a number of Nevada sedimentary basins were compiled using the lithium brine deposit at Silver Peak in Clayton Valley as the exploration model. Important criteria were identified as:

- Large closed sedimentary basin containing abundant Tertiary or younger felsic volcanic and tuffaceous deposits (which are considered to be the source of the lithium according to USGS Report 2013-1006 “a Preliminary deposit Model for Brines” Dwight Bradley et al).
- Cordilleran scale structural uplift and arid environment
- Presence of salars or playa lakes where brines can evaporate resulting in the concentration of mineral salts including lithium.
- Gravity data supports the presence of discrete fault bounded grabens within the basement of the larger enclosed basins.
- Presence of aquifers (which can be detected by electrical resistivity surveys).
- Evidence of hot springs depositing alkali salts onto lake surfaces (there is a correlation between borax deposits and lithium enrichment in brines).
- Elevated lithium levels in USGS water well sampling (NURE database); note – the NURE database is a database of water well and stream sampling results from across the US, originally for uranium but the database of 335,347 samples contains data on a wide range of elements including lithium.
- Reports by competitors about their exploration activities in the subject areas.



## Exploration

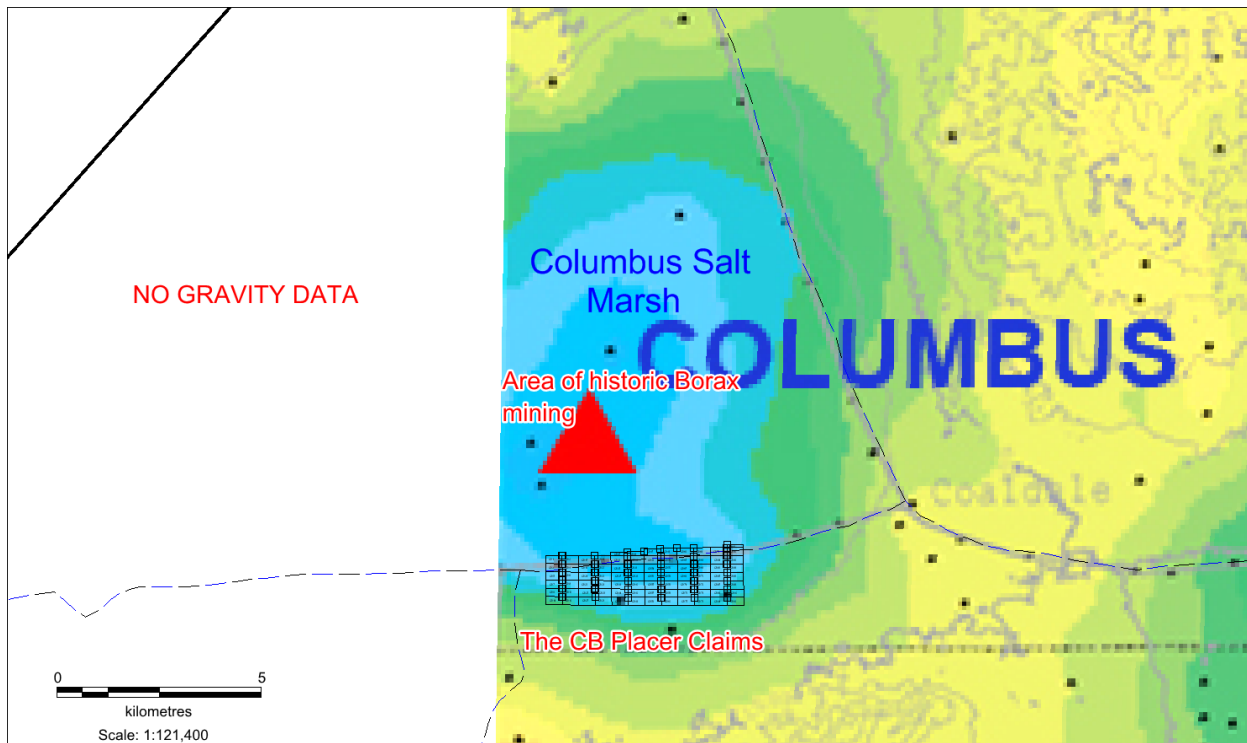
### Columbus Salt Marsh

The property is located 45 km north west of Clayton Valley (fig 2). This valley represents a closed basin with extensive Tertiary volcanic deposits in the surrounding hills.

USGS open file gravity data indicates that the centre of the valley has subsided up to 3.5km. The valley is fault bounded and several geothermal springs discharge alkali salts onto the lake surface. These alkali deposits have in the past been mined for borax. 81 placer claims have been staked along the southern margin of the valley in proximity to a major basin fault.



**Figure 2.** Columbus Salt Marsh - Placer Claims and Google Earth Image



**Figure 3.** Columbus Salt Marsh and USGS Gravity Image Showing Gravity Low and Placer Claims

### Big Smoky Valley South

Located 10 km northwest of the Silver Peak lithium operation where the southern extent of Big Smoky Valley meets the western side of Clayton Valley. This northwest striking valley is defined by a series of major northwest and north east faults. Based on USGS open file gravity data there is a discrete sub-basin in the centre of the valley with more than 2.4km of subsidence.

The USGS NURE (National Uranium Resource Evaluation) database reports anomalous lithium values (up to 1,453 micrograms per litre) in wells immediately up slope to the west of the property. In addition to the extensive Tertiary volcanic deposits in the area there are significant deposits of volcanic ash in the valley that in places are more than 30m thick. The ash deposits are capped by very recent basalt lava flows and cinder cones.

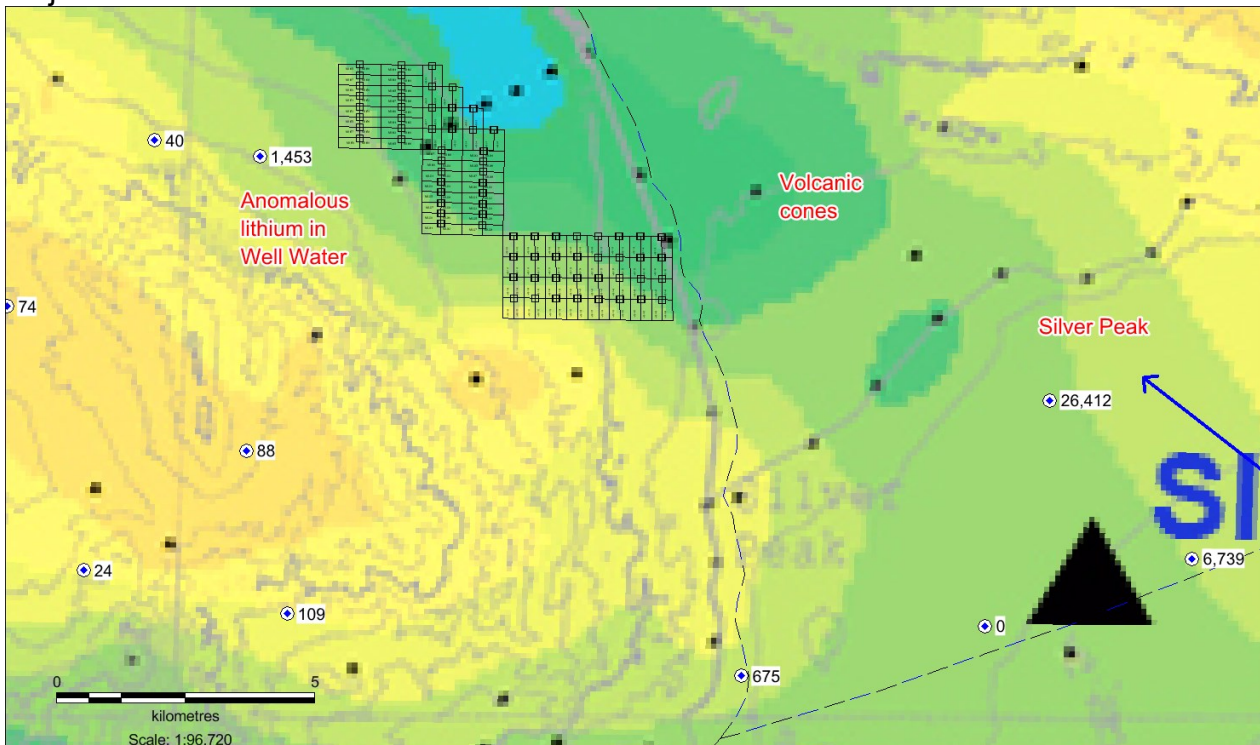
The presence of recent volcanism is considered to be an important heat source for driving geothermal activity which can dissolve lithium from the tuff beds and circulate it in ground water convection cells. 148 placer claims have been staked on the southern margin of the sub-basin.





**Figure 4.** Google Earth image showing Placer Claims and anomalous USGS NURE water sample results (micrograms per litre) at Big Smoky Valley South

Figure 5 below, shows the same area as fig 4 but with USGS Bouger gravity image in the background. The blue area represents the maximum basement depth. The placer claims have been located along the southern margin of the deep basin and on the north side of a major basin fault.



**Figure 5.** Placer Claims on USGS Bouger Gravity Image

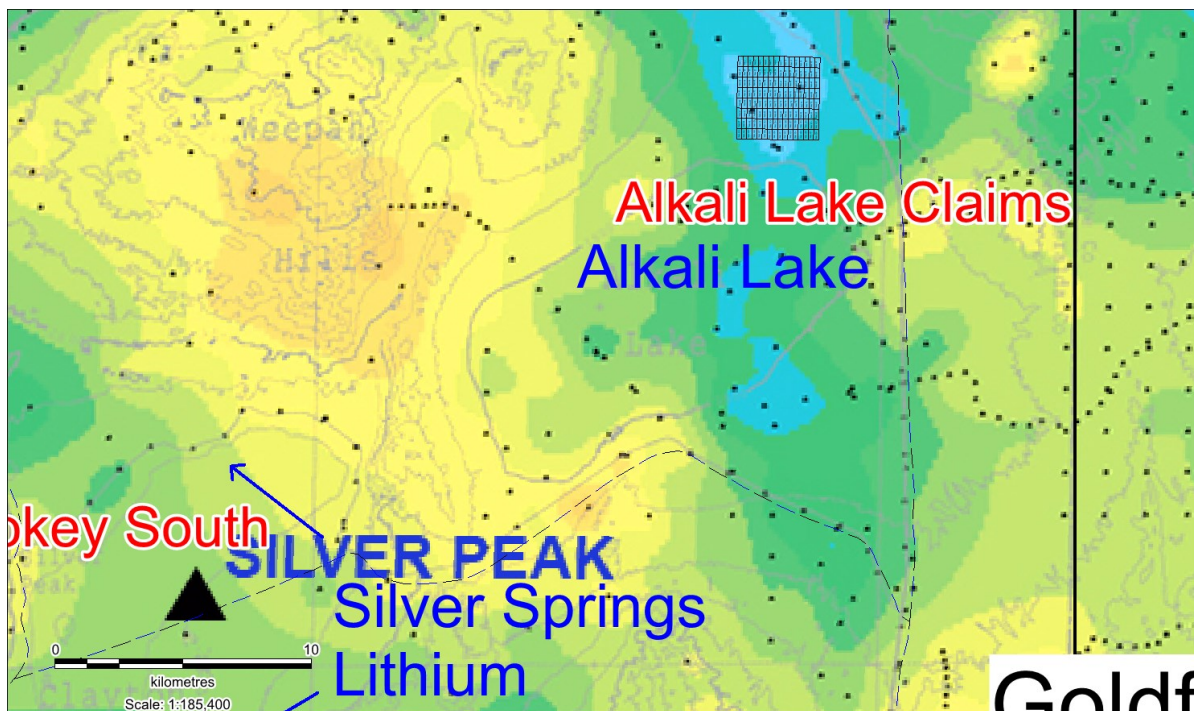


### Alkali Lake

Based on gravity data a discrete sub basin has been staked with 128 placer claims. The sub basin is located 30 km northeast of Silver Peak and it occurs within an extensive 30 km long, northwest trending basin that drains to the south towards Alkali Lake. The Google Earth image together with the gravity image suggests that a deep basin is masked by recent alluvium. Several hot springs discharge alkaline salts onto the surface of the playa lake.



**Figure 6.** Google Earth Image showing location of placer claims at Alkali Lake



**Figure 7.** USGS Gravity Image and Alkali Lake Placer Claims.

## EXPLORATION PROGRAM

An exploration program will proceed on each property as follows:

1. Electrical resistivity surveys to determine the depth to saline aquifers. In Clayton Valley six shallow dipping aquifers are known and these are electrically conductive because they are hyper saline.
2. Grid based gravity surveys to determine basin geometry including position of major faults.
3. Initial shallow drill test “push drilling” involving dry coring down to ~200ft (70m); the resulting cores of sediment are analysed for lithium and this builds a grid pattern of surface lithium enrichment.
4. Geophysical and shallow geochemical drill data is combined to identify optimum locations and depth for diamond drill holes.
5. Appropriate permitting activities will be undertaken and drill access roads cleared.
6. Diamond drilling is scheduled for Q3-Q4 2017.

### 6.0 Valuation of the Project

When valuing any mineral asset/project it is important to consider as many factors as possible that may either assist or impinge upon the current cash value estimates of the mineral asset under consideration.

In this Report AM&A considers that the primary features to be taken into account are the Tenement Security; Available Infrastructure; Prospectivity and the general Geological Setting.

Basically, these “Boxes are Ticked” as described above with regards to tenement security, infrastructure, previous exploration concepts and a favourable geological environment.

#### 6.1 Selection of Valuation Methods

The following valuation methods, as described above in section 2, are not considered applicable for the respective reasons provided:

- The Discounted Cash Flow method cannot be used for the Project as the lack of mineral reserve estimates precludes a DCF;
- The Kilburn ‘prospectivity’ method - as the range of values generated is typically too wide to be realistic.
- The Empirical method was deemed not applicable since there are not yet any JORC Code (2012) compliant resource estimates.

Accordingly, a combination of comparable transaction and exploration target ranges for the project has been adapted as the basis for the estimation of the value for the project with the value range workings as shown in Appendix 1.

## 6.2 Valuation of the Claims

### 6.2.1 Comparable Transactions Method

A comprehensive list of comparable transactions, mainly in Nevada, was obtained from the SNL database ([www.metalseconomics.com](http://www.metalseconomics.com)). After reviewing the relevant details of each transaction a weighted average for each of those transactions was compiled (Appendix 1). The details were analysed to provide the average 'dollars per hectare' per transaction which is \$2,320. This was then applied to the total of 2,888 for the RLC claims to derive the preferred value of \$6.7M from within a low of \$6.0M to \$7.4M.

### 6.2.2 Exploration Target Method

A detailed analysis of the RLC Columbus Marsh, Big Smoky Valley South and Alkali Lake staked claims including; Area, Saturated Thickness, Li Grade in Mg/l, Porosity, Lithium Carbonate Equivalent Factor, produced minimum, maximum and average target tonnages based on the currently operating Silver Peak Lithium Operation in Clayton Valley, Nevada.

To these numbers a very large discount of 99.9% was applied to derive the current value ranges with a low of \$8.3M to a high of \$10.2M and the preferred value of \$9.2M.

## 6.3 Valuation Conclusions

The summary result for the method is presented in Table 5. The detailed workings for both methods are included in Appendix 1.

As stated above the Comparable Transaction and Target Range methods are selected as the most appropriate for valuation estimate purposes of the RLC Lithium Brine Claims.

As the extraordinary ranges of \$/ha revealed by the comparable transactions method; **ranging from a low of \$55/ha to a high of \$273,990/ha**, it is considered that the target ranges method over-rides the comparable method by virtue of the extremely close value ranges derived from the former so that averaging of the two preferred values for each method is not relevant.

**Table 3.** Summary Range of Current Values

Method	A\$M		
	Low	High	Preferred
Target ranges	8.3	10.2	9.2
Comparable	6.0	7.4	6.7

This Report concludes that the cash value of 100% of the RLC staked claims in Nevada at 10<sup>th</sup> February, 2017, is ascribed at \$9.2M from within the range of \$8.3M to \$10.2M.

Yours faithfully,



Allen J. Maynard BAppSc (Geol), MAIG, MAusIMM.



*Competent Persons Statement*

*The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.*

*Competent Persons Statement*

*The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Varndell is an associate of Al Maynard & Associate Pty Ltd and has over 40 years of exploration and mining experience in a variety of mineral deposit styles including iron ore mineralisation. Mr Varndell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Varndell consents to inclusion in the report of the matters based on this information in the form and context in which it appears.*

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## 7.0 Glossary of Technical Terms and Abbreviations

Anomaly	Value higher or lower than the expected or norm.
Base metal	Generally a metal inferior in value to the precious metals, e.g. copper, lead, zinc, nickel.
Complex	An assemblage of rocks or minerals intricately mixed or folded together.
Diamond drill	Rotary drilling using diamond impregnated bits, to produce a solid continuous core sample of the rock.
Dip	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Intercept	The length of rock or mineralisation traversed by a drillhole.
JORC	Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.

Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Peperite	A sedimentary rock that contains fragments of igneous material and is formed when magma comes into contact with wet sediments
Primary	Mineralisation which has not been affected by near surface mineralisation oxidising process.
Quartz	A very common mineral composed of silicon dioxide-SiO <sub>2</sub> .
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Reconnaissance	A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey.
Remote Sensing Imagery	Geophysical data obtained by satellites processed and presented as photographic images in real or false colour combinations.
Reserve	In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Stratigraphy	The succession of superimposition of rock strata. Composition, sequence and correlation of stratified rock in the earth's crust.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.

## Abbreviations

g	gram	m <sup>3</sup>	cubic metre
kg	kilogram	mm	millimetre
km	kilometre	M	million
km <sup>2</sup>	square kilometre	oz	troy ounce
m	metre	t	tonne
m <sup>2</sup>	square metre		

Appendix 1: Details of Valuation Estimates.

Comparable Transactions

Percent Acquired	Project Area (ha/ac)	Transaction Value (AUS)	Consideration Not Included in Deal Value (AUS)	Status	Total \$	Adjusted for %	\$/ha	ha		
100	1,033 / 2,554	\$84,000	N/A	Completed	\$84,000	\$84,000	\$81	1,033		
60	1,138 / 2,811	\$129,000	\$1,307,000 Capital Expenditure	Terminated	\$1,436,000	\$2,393,333	\$2,103	1,138		
100	518 / 1,280	\$364,000	\$1,020,000 Royalty Issued	Pending	\$1,384,000	\$1,384,000	\$2,672	518		
100	688 / 1,700	\$31,000	\$680,000 Royalty Issued	Completed	\$711,000	\$711,000	\$1,033	688		
100	3,173 / 7,840	\$1,846,000	\$1,473,000 Capital Expenditure \$2,016,000 Royalty Issued	Pending	\$5,335,000	\$5,335,000	\$1,681	3,173		
100	1,166 / 2,882	\$8,087,000	\$2,695,000 Debt Assumed	Completed	\$8,087,000	\$8,087,000	\$6,936	1,166		
100	1,255 / 3,100	\$1,443,000	\$787,000 Capital Expenditure \$2,624,000 Royalty Issued	Pending	\$4,854,000	\$4,854,000	\$3,868	1,255		
70	623 / 1,540	\$411,000	\$1,369,000 Capital Expenditure	Pending	\$1,780,000	\$2,542,857	\$4,082	623		
80	1,198 / 2,960	\$2,478,000	N/A	Pending	\$2,478,000	\$3,097,500	\$2,586	1,198		
100	2,878 /	\$7,065,000	\$543,000 Debit Assumed	Completed	\$7,608,000	\$7,608,000	\$2,644	2,878	ha x Wght'd Ave	
100	7,363 / 18,194	\$385,000	\$20,000 Common Stock Fee	Completed	\$405,000	\$405,000	\$55	7,363	2.5	\$17,083,745
70	623 / 1,540	\$1,368,000	\$1,326,000 Capital Expenditure	Pending	\$2,694,000	\$3,848,571	\$6,177	623		
100	575 / 1,420	\$517,000	\$1,312,000 Royalty Issued	Completed	\$1,829,000	\$1,829,000	\$3,181	575		
100	2,817 / 6,960	\$717,000	\$1,638,000 Capital Expenditure	Completed	\$2,355,000	\$2,355,000	\$836	2,817		
100	3,980 / 9,835 360 / 890	\$758,000	N/A	Pending	\$758,000	\$758,000	\$175	4,340	1.5	\$10,069,734
70	615 / 1,520	\$2,006,000	\$2,360,000 Capital Expenditure \$1,350,000 Royalty Issued	Pending	\$5,716,000	\$5,716,000	\$9,294	615		
70	37,000 / 91,431	\$909,000	\$1,524,000 Capital Expenditure	Pending	\$2,433,000	\$2,433,000	\$66	37,000	12.8	\$85,847,962
100	1,472 / 4,035	\$3,047,000	N/A	Pending	\$3,047,000	\$3,047,000	\$2,070	1,472		
70	720 / 1,779	\$102,000	\$? Exploration Expenditure	Pending	\$102,000	\$145,714	\$202	720		
70	1,036 / 2,560	\$791,000	\$1,634,000 Capital Expenditure	Pending	\$2,425,000	\$3,464,286	\$3,344	1,036		
60	160 / 395	\$12,388,000	\$13,915,000 Capital Expenditure	Letter of Intent	\$26,303,000	\$43,838,333	\$273,990	160		
100	13,000 / 32,124	\$9,440,000	\$? Cash Bonus Payment	Letter of Intent	\$9,440,000	\$9,440,000	\$726	13,000	4.5	\$30,162,798
					Totals	\$193,485,066	\$327,801	83,391	Wght'd Ave	
NOTE: Details from SNL Database.			NOTE: Extraordinary Vast Range of \$/ha; Low of \$55 to High of \$273,990.						\$2,320	
								RLC ha	2,888	
								Preferred	\$6,700,782	
								Low	\$6,030,703	
								High	\$7,370,860	



Estimated Lithium Carbonate Equivalent (LCE) tonnes for the RLC Lithium Brine Projects

		Saturated Thickness (m)			Li Grade mg/L			Porosity %	LCE Factor	Calculated Lithium (LCE) Tonnage Ranges		
PROPERTY	AREA (ha)	Min	Average	Max	Min	Average	Max			Min	Average	Max
Columbus Marsh	655	31	165	299	37	102	370	0.34	5.323	13,597	199,508	1,311,444
Big Smoky Valley South	1197	31	165	299	37	102	370	0.34	5.323	24,848	364,597	2,396,638
Alkali Lake	1036	31	165	299	37	102	370	0.34	5.323	21,506	315,558	2,074,283
TOTALS (rounded)		2888								60,000	880,000	5,782,000

% of Max

15.2

Tonnes Li as LCE =

5.323

x

Thickne  
ss  
m

x

Area  
(m)  
ha x 10000

x

Porosity  
%

x

Grade  
mg/L

x

10<sup>3</sup> L/m<sup>3</sup>

		US\$8K/ t		10 <sup>6</sup> x 10 <sup>3</sup>	
Lithium Exploration Target Ranges		99.90%	Discount		
	LCE tonnes	US\$M	A\$M	0.001	A\$M
Average	880,000	7,040	9,236	9.24	9.2 Preferred
Min	792,000	6,336	8,313	8.31	8.3 Low
Max	968,000	7,744	10,160	10.16	10.2 High

Apply a 99.9% Discount to the tonnage Value

0.10



Source:- <http://blogs.ft.com/ftdata/2016/04/14/lithium-price-on-the-rise/>



## LODGE YOUR VOTE



## ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)


## BY MAIL

Reedy Lagoon Corporation Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



## BY FAX

+61 2 9287 0309



## BY HAND

Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000



## ALL ENQUIRIES TO

Telephone: 1300 554 474

Overseas: +61 1300 554 474



X99999999999

## PROXY FORM

I/We being a member(s) of Reedy Lagoon Corporation Limited and entitled to attend and vote hereby appoint:

## APPOINT A PROXY



the Chairman of the  
Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting  
as your proxy, please write the name of the person or  
body corporate you are appointing as your proxy



or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **10:00 am on Monday, 3 April 2017 at Offices of Moore Stephens, Level 18, 530 Collins Street, Melbourne** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

## VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒

## Resolutions

For Against Abstain\*

- 1 The resolution in the notice of meeting

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------



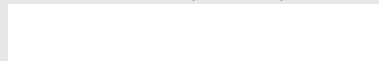
\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

## SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)



Joint Shareholder 2 (Individual)



Joint Shareholder 3 (Individual)



Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

RLC PRX1701A



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00 am on Saturday, 1 April 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Reedy Lagoon Corporation Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138  
  
or  
  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**