

27 January 2021

Dear Shareholder,

GENERAL MEETING – COVID-19 ARRANGEMENTS

First Au Limited (“the Company”) advises that a General Meeting of the shareholders of the Company is scheduled to be held by virtual technology on Tuesday, 2 March 2021 at 11:00am (AEDT) (“the Meeting”).

The Meeting has been convened to seek shareholder approval for the Company to enter in to the farm-in and joint venture arrangement with 8 Au Limited in respect of the Talga Gold/Base Metals Project, which was the subject of announcements released by the Company on 20 November 2020 and 5 January 2021.

The Company has obtained an Independent Expert’s Report from PKF Melbourne Corporate Pty Ltd (**IER**) which accompanies the Notice of Meeting convening the Meeting.

In accordance with temporary modifications to the Corporations Act under the Corporations (Coronavirus Economic Response) Determination (No. 3) 2020, hard copies of the Notice of the Meeting are not being mailed to shareholders. The Notice of the Meeting and IER can be viewed, accessed and downloaded at <https://www.firstau.com/Investors/> or via the following direct link to the ASX announcements platform of the Company: <https://www2.asx.com.au/markets/trade-our-cash-market/announcements.fau>

The Board strongly recommends that shareholders read the Notice of Meeting including the IER in full before determining how to vote on the business of the Meeting. If shareholders have any questions they are encouraged to contact the Company by email at dmcbain@firstau.com.

The health and safety of members and personnel, and other stakeholders, is the highest priority and the Company is acutely aware of the current circumstances resulting from COVID-19. While the COVID-19 situation remains volatile and uncertain, based on the best information available to the Board at the time of the Notice of Meeting, the Company intends to conduct the Meeting virtually via Zoom.

Shareholders are strongly encouraged to vote by lodging a directed proxy appointing the Chairman before 11:00am (AEDT) on Sunday, 28 February 2021. A personalised proxy form is enclosed. Proxies can be lodged in accordance with the instructions in the personalised proxy form enclosed with this letter.

Arrangements for attendance by Zoom, with the ability to ask questions, can be made by contacting David McBain, Company Secretary, by email at dmcbain@firstau.com at least two business days before the meeting. Arrangements will be made for direct voting by way of a poll at the virtual Meeting by shareholders, proxies, corporate representatives and holders of powers of attorney. In addition, the Company is happy to accept and answer questions submitted at least two business days prior to the Meeting by email to dmcbain@firstau.com.

Because the conditions and potential restrictions and other requirements for meetings relating to COVID-19 are rapidly changing, if it becomes necessary or appropriate to make alternative arrangements to those set out in this Notice of General Meeting the Company will announce the alternative arrangements to ASX. Shareholders are encouraged to check for announcements at the ASX website www2.asx.com.au, search code “FAU”.

The Company thanks shareholders for their ongoing support.



Bryan Frost
Executive Chairman & Managing Director

First Au Limited ACN 000 332 918

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FIRST AU LIMITED
ACN 000 332 918
NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting (“**Meeting**”) of the shareholders of First Au Limited [ACN 000 332 918] (“**the Company**” or “**FAU**”) will be held by virtual technology on Tuesday 2 March 2021 at 11.00am (Melbourne time)

IMPACTS OF COVID-19 ON THE MEETING

The health and safety of members and personnel, and other stakeholders, is the highest priority and the Company is acutely aware of the current circumstances resulting from COVID-19, in particular in Victoria. While the COVID-19 situation remains volatile and uncertain, based on the best information available to the Board at the time of the Notice, the Company intends to conduct the Meeting virtually via Zoom.

Shareholders are strongly encouraged to vote by lodging a directed proxy appointing the Chair as early as possible and in any event prior to the cut-off for proxy voting being 11.00am, 28 February 2021. Instructions for lodging proxies are included on your personalised proxy form.

Arrangements for attendance by Zoom, with the ability to ask questions, can be made by contacting David McBain, the Company Secretary, by email at dmc bain@firstau.com at least two business days before the meeting. Arrangements will be made for direct voting by way of a poll on the Resolution at the virtual Meeting by shareholders, proxies, corporate representatives and holders of powers of attorney.

In addition, the Company is happy to accept and answer questions submitted at least two business days prior to the Meeting by email to dmc bain@firstau.com.

Because the conditions and potential restrictions and other requirements for meetings relating to COVID-19 are rapidly changing, if it becomes necessary or appropriate to make alternative arrangements to those set out in this Notice of General Meeting, the Company will announce the alternative arrangements to ASX. Shareholders are encouraged to check for announcements at the ASX website www2.asx.com.au, search code “FAU”.

An Independent Expert’s Report has been prepared by PKF Melbourne Corporate Pty Ltd in respect of the giving of financial benefits and the disposal of a substantial asset to 8 AU Limited [ACN 644 358 403], a related party of the Company under Section 228 of the Corporations Act and the ASX Listing Rules, if Resolution 1 is approved.

The findings of PKF Melbourne Corporate Pty Ltd are that the proposed farm-in and joint venture is fair and reasonable to non-associated shareholders.

The Independent Expert’s Report is set out in Annexure B and should be read in full. Shareholders should refer to the Independent Expert’s Report and the matters set out in the Notice of General Meeting and accompanying Explanatory Memorandum when considering how to vote on the Resolution.

If you are in doubt as to the course you should follow, you should consult your financial or other professional advisor.

ASX and/or ASIC take no responsibility for the content of this Notice of General Meeting.

Further details in respect of the Resolution proposed in this Notice of General Meeting (“**Notice**”) are set out in the Explanatory Memorandum (“**Memorandum**”) accompanying this Notice. The details set out in the Memorandum should be read together with, and form part of, this Notice.

AGENDA

RESOLUTION 1: APPROVAL FOR ENTRY IN TO FARM-IN AND JOINT VENTURE

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

“That, for the purposes of ASX Listing Rules 10.1 and 11.4.1(b), Chapter 2E and section 195(4) of the Corporations Act 2001 (Cth) and for all other purposes, shareholders approve the Company entering in to the farm-in and joint venture arrangement with 8 AU Limited [ACN 644 358 403] as described in the Memorandum which accompanied and formed part of this Notice.”

Voting Exclusion Statement – ASX Listing Rules

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- *the person disposing of the substantial asset to, or acquiring the substantial asset from, the entity and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity); or*
- *the acquirer of the asset and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity); or*
- *an associate of that person or those persons.*

However, this does not apply to a vote cast in favour of this Resolution by:

- *a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or*
- *the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or*
- *a holder acting solely as nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and*
 - *the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

Voting Prohibition – Corporations Act

The Company will disregard any votes cast on this resolution (in any capacity) by or on behalf of:

- *a related party of the Company to whom this Resolution would permit a financial benefit to be given; or*
- *an associate of such related party.*

However, the Company need not disregard a vote cast on this Resolution if:

- *it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 3; and*
- *it is not cast on behalf of a related party or associate who is prohibited from voting as set out above.*

Independent Expert's Report

An Independent Expert's Report has been prepared by PKF Melbourne Corporate Pty Ltd (**PKF**) for the purposes of Resolution 1. The Independent Expert's Report is enclosed with this Notice as Annexure B. PKF has concluded that the proposed farm-in and joint venture is fair and reasonable to non-associated shareholders. Further details are set out in the Memorandum and Independent Expert's Report, which the Directors recommend shareholders read in full before making any decision in relation to Resolution 1.

A copy of the Notice and the accompanying Memorandum have been lodged with ASIC in accordance with section 218 of the Corporations Act.

OTHER BUSINESS

To consider any other business that may be brought before the Meeting in accordance with the Constitution of the Company and the Corporations Act.

By the order of the Board

A handwritten signature in blue ink, appearing to read "Bryan Frott", is positioned above the printed name.

Bryan Frott- Chairman

Dated: 27 January 2021

The accompanying Proxy Instructions and Memorandum form part of this Notice.

PROXY AND VOTING INSTRUCTIONS

Proxy Instructions

A member who is entitled to vote at a meeting may appoint:

- one proxy if the member is only entitled to one vote; and
- one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged with the Company's share registry not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

A proxy form is attached to this Notice.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the meeting as your proxy.

Corporate Representatives

Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

Voting Entitlement

For the purposes of the Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members as at 7.00pm (Melbourne time) on Sunday 28 February 2021 are entitled to attend and vote at the virtual meeting. Further details are set out on the front cover of the Notice.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

How the Chair Will Vote Undirected Proxies

The Chair of the Meeting will vote undirected proxies in favour of the proposed Resolution.

**FIRST AU LIMITED
ACN 000 332 918
("the Company")
GENERAL MEETING
EXPLANATORY MEMORANDUM**

This Memorandum has been prepared for the information of members of First Au Limited (ACN 000 332 918) (the "**Company**" or "**FAU**") in connection with the business to be conducted at a General Meeting ("**Meeting**") of shareholders to be held by virtual technology on Tuesday 2 March 2021 at 11.00am (Melbourne time).

Please refer to the note on the front cover of the Notice regarding COVID-19 related restrictions, lodging proxies and/or attending the Meeting by Zoom.

Shareholders are strongly encouraged to lodge their completed proxy forms in accordance with the instructions set out therein to vote before the Meeting.

This Memorandum should be read in conjunction with, and forms part of, the accompanying Notice.

RESOLUTION 1 – APPROVAL FOR ENTRY IN TO FARM-IN AND JOINT VENTURE

Important Note: an Independent Expert's Report has been prepared by PKF Melbourne Corporate Pty Ltd in respect of Resolution 1. The Board strongly recommends that shareholders read the Notice and this Memorandum and its Annexures (which include the Independent Expert's Report) in full prior to determining how to vote on Resolution 1.

On 19 November 2020 the Company entered into a conditional binding terms sheet (**Terms Sheet**) with 8 AU Limited (then 8 AU Pty Ltd) (**8AU**) in respect of a Farm-In and Joint Venture in relation to the Talga Gold and Base Metals Project located in the East Pilbara region of Western Australia (**Talga Project**).

The Talga Project comprises the following exploration licences granted under the Mining Act 1978 (WA): Exploration Licence 45/3679; Exploration Licence 45/5595; Exploration Licence 45/5596; Exploration Licence 45/3857; Exploration Licence 45/4137; Exploration Licence 45/5571; and Exploration Licence 45/4615. These exploration licences are referred to collectively herein as the **Tenements**.

The farm-in and joint venture in relation to the Tenements forming the Talga Project being the **Transaction**.

On 5 January 2021, the Company and 8AU entered into a farm-in and joint venture agreement (**Talga Agreement**) that replaced the Terms Sheet as the formal documentation for the Transaction.

About 8AU

8AU is a public company with common Directors to the majority of the Directors of the Company (further details below under the heading "related party transaction"). 8AU intends to complete an initial public offering (**IPO**) in early to mid-2021, based on the acquisition of assets and/or interests in multiple exploration projects in Western Australia. It is proposed that these assets and/or interests will include the interests in the Tenements described herein, as well as other proximate, complimentary exploration tenements. The Transaction is conditional upon 8AU successfully completing the IPO. It is proposed that 8AU will make a priority offer to the shareholders of FAU to participate in the IPO of 8AU up to a set amount, however the details of such a priority offer remain under consideration.

Rationale for the Transaction

The Company is currently focussing its expenditure and efforts on the exploration of the areas comprising the interests held by the Company in the Gimlet Gold Project (**Gimlet**) located near Kalgoorlie, Western Australia and the Victorian Goldfields Project (**VicGold**) located in the East Gippsland area of Victoria. While the Board continues to have the view that the Talga Project has potential, the Board has determined to prioritise the exploration of the Gimlet and VicGold projects. In addition, and as noted above, 8AU is to hold other proximate, complimentary exploration tenements to the Tenements. Therefore the aggregation of tenement interests in this area will allow 8AU to focus its financial and geological resources on the Talga Project and the surrounding area and utilise

potential economies of scale in terms of exploration and overall activities in the area in a more efficient manner than the Company.

The proposed farm-in and joint venture with 8AU (being the **Transaction**) comprises the seven Tenements centred about 30km northeast of the Marble Bar town site. Under the terms of the Transaction, 8AU will be entitled to earn up to an 80% interest in the Talga Project, with FAU retaining a 20% interest if 8AU earns the full 80% interest in the Talga Project. 8AU's Railway Well project adjoins the Talga Project and comprises five exploration licences, three granted and two pending. The combined project is located about 80km to the northeast of Marble Bar. Both areas have a long history of intermittent exploration for a wide range of minerals including gold, base metals, nickel, tin, and iron ore. Each of the Talga Project and Railway Well project have a long history of intermittent exploration for a wide range of minerals including gold, base metals, nickel, tin and iron ore.

The Railway Well project has been lightly explored by previous gold explorers. In recent times considerable advances have been made both in modern exploration technology and in the understanding of the various styles and types of mineralisation in Archaean terranes.

The recent discovery of a major new gold deposit at the Hemi project in the west Pilbara by De Grey Mining represents a new style of gold deposit for the Pilbara region. It is of an intrusion related style, associated with late stage, high Mg diorites of the Indee Suite within the Mallina Basin. The potential Project and the Railway Well project are located in a comparable geological environment.

The Board is of the view that, 8AU provides an effective vehicle to continue exploration of the Talga Project whilst the Company retains an interest in any upside from a discovery of economic potential. These arrangements will also allow the Company to continue to concentrate its resources on the exploration of its other projects described above whilst retaining an interest in the Tenements.

Related party transaction

The Company and 8AU have a majority of common Directors, with the only Director of the Company who is not also a Director of 8AU being Dr Gavin England. 8AU does not have any Directors who are not also Directors of FAU. Accordingly, 8AU is a related party of the Company under the ASX Listing Rules and the Corporations Act.

FAU granting 8AU the right to acquire up to an 80% interest in the Tenements forming the Talga Project:

- constitutes the disposal of a substantial asset to a related party under ASX Listing Rule 10.1; and
- constitutes the giving of a financial benefit to a related party under Chapter 2E of the Corporations Act.

No Director, or the Directors or any of them collectively, will obtain a financial benefit from the Transaction, other than a benefit solely as a result of being a shareholder of the Company and/or 8AU, as applicable.

In the interest of full disclosure to shareholders, it is noted that other assets being acquired by 8AU include assets held by Great Sandy Pty Ltd, an entity associated with Damon O'Meara, a Director of the Company. The assets to be acquired by 8AU from Great Sandy Pty Ltd are entirely separate from the Tenements and the Transaction.

Spin out/disposal of a major asset

As noted above, the Company is currently prioritising the exploration of its other projects and the Board does not consider the interest in the Tenements that is proposed to be disposed of as part of the Transaction to be a major asset of the Company from a commercial perspective having regard to its current business focus.

Notwithstanding the above and in the interest of providing shareholders the opportunity to vote on all aspects of the Transaction, the Board has determined to consider that the interest in the Tenements to be disposed of to 8AU (potentially up to an 80% interest) under the terms of the Transaction to be a major asset for the purposes of the ASX Listing Rules.

As noted above, 8AU intends to complete an IPO in early to mid-2021, based on the acquisition of assets and/or interests in multiple exploration projects in Western Australia including the interest in the Tenements. Accordingly, ASX Listing Rule 11.4(a) applies to the disposal of a major asset, being up to an 80% interest in the Tenements, to 8AU, being an entity that intends to offer or issue securities with a view to becoming listed.

Noting the above, the proposed disposal of up to 80% of the interest in the Tenements to 8AU pursuant to the terms of the Transaction constitutes a spin out of a major asset under Chapter 11 of the ASX Listing Rules. The spin out is not being conducted by a pro-rata offer, issue or transfer of securities to shareholders and the Company is seeking shareholder approval for the Transaction under ASX Listing Rule 11.4.1(b).

Requirement for shareholder approval

The Company obtaining all required shareholder approvals is a condition precedent of the Transaction.

Shareholder approval of the Transaction is required having regard to:

- 8AU being a related party of FAU under the ASX Listing Rules and Corporations Act;
- the Board determining to consider the up to 80% interest in the Tenements to be disposed of to 8AU under the terms of the Transaction to be a major asset for the purposes of the ASX Listing Rules, 8AU intending to offer or issue securities with a view of becoming listed and the disposal not being effected ; and
- the Transaction constituting FAU disposing of a substantial asset and providing a financial benefit to 8AU, a related party of FAU.

Noting the above, the Board is seeking shareholder approval under Resolution 1 for the Company to enter into the farm-in and joint venture with 8AU for the purposes of ASX Listing Rules 10.1 and 11.4.1(b), Chapter 2E and section 195(4) of the Corporations Act and for all other purposes (if any).

Having regard to the ASX Listing Rules and the relevant guidance from ASIC, the Board considered it necessary and appropriate to engage an independent expert to consider the entry by the Company into the Transaction.

Independent Expert's Report

An Independent Expert's Report (**IER**) has been prepared by PKF Melbourne Corporate Pty Ltd (**PKF**) for the purposes of Resolution 1. The Independent Expert's Report is enclosed with this Notice as Annexure B. PKF has concluded that the Transaction is fair and reasonable to non-associated shareholders. Further details are set out in the Memorandum and Independent Expert's Report.

The Directors strongly recommend shareholders read the Notice and this Memorandum and its Annexures (including the IER) in full prior to determining how to vote in relation to Resolution 1 of the Notice.

Farm-In and Joint Venture terms

Key commercial terms of the Transaction are set out below. References to 8AU include its nominee as applicable:

- References below to "Expenditure" means all outgoing (including rents, rates, survey fees and other fees and charges under any applicable legislation or otherwise directly connection with the Tenements) and all costs and expenses incurred by or on behalf of 8AU in respect of any activity directly connected to the discovery, location and delineation of minerals on the Tenements and any activities which are reasonably incidental thereto including, without limitation, undertaking feasibility studies, drilling, maintaining the Tenements and accessing the land on which the Tenements are located.
- FAU grants 8AU the right to obtain up to an 80% interest in the Tenements as described below:
 - 8AU will acquire a 50.1% undivided and unencumbered interest in the Tenements as a tenant in common (**Stage 1 Interest**) upon:
 - 8AU making a payment on the date upon which all conditions precedent other than there being not material adverse event have been satisfied (**Effective Date**) of \$180,000, as reimbursement of expenditure incurred by FAU directly in connection with a recently conducted IP survey (anticipated to approximate \$100,000) and a further payment equal to the balance of \$180,000 in recognition of costs incurred by FAU prior to the date of the Terms Sheet, at which time 8AU will be deemed to have a 10% interest in the Tenements; and

- 8AU incurring Expenditure of not less than \$300,000 within one (1) year of the Effective Date (**Stage 1 Period**), at which time the interest of 8AU in the Tenements will increase by 40.1%, from 10% to 50.1%.

If 8AU earns the Stage 1 Interest then 8AU will hold an 50.1% interest and the Company will hold a 49.9% interest in the Tenements as a tenants in common. Subject to satisfaction of the conditions precedent, 8AU is committed to incurring the Expenditure required to acquire the Stage 1 Interest.

- Subject to 8AU earning the Stage 1 Interest, FAU grants 8AU the right, but not the obligation, to acquire a further 19.9% undivided and unencumbered interest in the Tenements as a tenant in common (**Stage 2 Interest**) by incurring aggregate Expenditure (inclusive of Expenditure incurred in connection with obtaining the Stage 1 Interest) of not less than \$600,000 within two (2) years of the Effective Date (**Stage 2 Period**). 8AU may exercise its right to acquire the Stage 2 Interest by giving the Company notice in writing within 21 days from the end of the Stage 1 Period. In the event 8AU elects to exercise its right to acquire the Stage 2 Interest, 8AU is committed to incurring the Expenditure required to acquire the Stage 2 Interest.

In the event that 8AU does not make an election to earn the Stage 2 Interest within 21 days from the end of the Stage 1 Period, the parties will be in a joint venture where 8AU will hold a 50.1% interest and the Company will hold a 49.9% interest.

If 8AU earns the Stage 2 interest then 8AU will hold an 70% interest and the Company will hold a 30% interest in the Tenements as a tenants in common.

- Subject to 8AU earning the Stage 2 Interest, FAU grants 8AU the right, but not the obligation, to acquire a further 10% undivided and unencumbered interest in the Tenements as a tenant in common (**Stage 3 Interest**) by incurring aggregate Expenditure (inclusive of aggregate Expenditure incurred in connection with obtaining the Stage 1 Interest and Stage 2 Interest) of not less than \$900,000 within three (3) years of the Effective Date (**Stage 3 Period**). 8AU may exercise its right to acquire the Stage 3 Interest by giving the Company notice in writing within 21 days from the end of the Stage 2 Period. In the event 8AU elects to exercise its right to acquire the Stage 3 Interest, 8AU is committed to incurring the Expenditure required to acquire the Stage 3 Interest.

In the event that 8AU does not make an election to earn the Stage 3 Interest within 21 days from the end of the Stage 2 Period, the parties will be in a joint venture where 8AU will hold a 70% interest and the Company will hold a 30% interest.

If 8AU earns the Stage 3 interest then 8AU will hold an 80% interest and the Company will hold a 20% interest in the Tenements as a tenants in common.

From the point at which 8AU earns the Stage 3 Interest, the Company will be free-carried through to a decision to mine in respect of the Talga Project.

- 8AU shall act as manager in respect of the Tenements during any period within which 8AU retains a right to earn the Stage 1 Interest, Stage 2 Interest or Stage 3 Interest. 8AU will have sole discretion to determine the nature and scope of Expenditure provided that during that period 8AU must do all things necessary to maintain the Tenements in good standing (including ensuring that all statutory reporting requirements are complied with and payment all fees, rent, rates and other similar charges). The Company will provide reasonable assistance to 8AU to enable 8AU to comply with its obligations as manager.
- A joint venture between 8AU and the Company will be established on the Effective Date. A summary of the key terms of the joint venture are set out in Annexure A.
- The Company provides a consent to 8AU lodging such caveats and other applicable documents as it considers reasonable to protect its interests.

As noted above, a summary of the Talga Agreement is set out in Annexure A.

Potential advantages

The Board has formed the view that the Transaction provides the Company and its shareholders with numerous advantages, including:

- (a) Upon commencement, 8AU will be responsible for meeting the Expenditure requirements on the Talga Project. This includes the expenses in connection with maintaining the Tenements. In addition, the Company will be paid the sum of \$180,000 in recognition of expenditure incurred on past exploration. Each of these matters will result in improvement of the short to medium term cash position of FAU and will result in increased flexibility in allocating funds (refer point (c) below).
- (b) Regardless of the level of expenditure incurred by 8AU under the Transaction, the Company will retain an interest of at least 20% in the Tenements. Accordingly, the Company will be able to share in any success arising from the Talga Project without being solely exposed to the costs and potential risks associated with the exploration process (which is inherently uncertain by its nature). The Company will also remain engaged in the decision-making process in connection with the Talga Project pursuant to the terms of the Transaction.
- (c) The Company will be able to allocate funds and other resources that would otherwise have been utilised in connection with the Talga Project to the exploration and development of its other projects. As noted above, the current strategy of the Company is prioritising the exploration of its Gimlet Gold Project located near Kalgoorlie Western Australia and the Victorian Goldfields Project located in the East Gippsland area of Victoria, and the Transaction will allow the Company to allocate further funds for these purposes. Further details of the other projects of the Company can be found at its website, www.firstau.com.
- (d) As noted above, additional leases contained in 8AU that are proximate to the Talga Project will increase the overall exploration area. It is possible that new discoveries on the additional leases may focus interest on the exploration area as a whole inclusive of the Talga Project and potentially increase the overall prospectivity of the project and the value of FAU's joint venture interest in the Talga Project. For the avoidance of doubt, FAU does not hold an interest in the additional leases contained in 8AU.

Potential disadvantages

The Board has formed the view that the primary disadvantage from the Transaction arises if the exploration of the Talga Project is successful and a commercially viable deposit is identified. In that case it could be argued that the Company may have been able to maintain a greater interest in the Tenements and thereby benefit from any exploration successes. This assumes that the Company would have been in a position to pursue a strong exploration program on the Tenements commensurate with what is planned by 8AU whilst continuing its priorities of exploring and developing its Gimlet and VicGold projects. The Board is not in a position to comment on the likelihood or otherwise of such a deposit being identified at the Talga Project at this time. The Board does, however, note that the Company will retain an interest in the Talga Project which will entitle the Company to share in any success arising from exploration activities conducted at the Talga Project. The Board further notes that exploration activities are inherently uncertain and there is no guarantee that a commercially viable deposit will be identified on the Talga Project, or any other project.

ASX Listing Rules

General

Resolution 1 seeks shareholder approval for the Company entering into the farm-in and joint venture arrangement with 8 AU Limited (referred to in this Memorandum as the Transaction) for the purposes of ASX Listing Rules 10.1 and 11.4.1(b). If shareholders approve Resolution 1 then, subject to the satisfaction of the other conditions precedent to the Transaction as set out in Annexure A, the Company will be able to enter into and action the farm-in and joint venture arrangement with 8 AU Limited. If shareholders do not approve Resolution 1 then the Company will not be able to proceed with the Transaction and the Company will retain a 100% interest in the Tenements, including being responsible for all maintenance and other associated costs.

ASX Listing Rule 10.1

As noted above, the Company is seeking shareholder approval to enter into the Transaction for the purposes of ASX Listing Rule 10.1. The following information is provided in accordance with ASX Listing Rule 10.5:

- The Company proposes disposing of a portion (up to 80%) of the interest it holds in the Tenements to 8 AU Limited as described above.
- The Company and 8AU share a majority of common Directors and are therefore related parties under ASX Listing Rule 10.1.1.
- The asset being disposed of is the interest in the Tenements as described above.
- The consideration for the disposal is 8AU meeting certain requirements with respect to Expenditure in connection with the Talga Project as set out above, and the payment by 8AU of \$180,000 in recognition of costs incurred by the Company in connection with prior exploration.
- The Company will utilise the \$180,000 for working capital purposes, including exploration of its other projects. The Company is not receiving any other cash in connection with the disposal.
- The Company anticipates the farm-in and joint venture arrangement (being the Transaction) will commence in early to mid-2021. As noted above, the completion by 8AU of its IPO by 30 June 2021 (subject to an extension as agreed between the Company and 8AU) is a condition precedent of the Transaction.
- A summary of the material terms of the Talga Agreement is set out in Annexure A.
- A voting exclusion as set out in the Notice applies to Resolution 1.
- An independent expert's report from PKF is set out in Annexure B. PKF has concluded that the Transaction is fair and reasonable to non-associated shareholders.

ASX Listing Rule 11.4.1(b)

The Company is proposing to dispose of an interest in the Tenements to 8AU pursuant to the terms of the Transaction. As set out above, in the interest of providing shareholders the opportunity to vote on all aspects of the Transaction, the Board has determined to consider the interest in the Tenements proposed to be disposed of to 8AU under the terms of the Transaction to be a major asset for the purposes of the ASX Listing Rules.

Under ASX Listing Rule 11.4 and 11.4.1, a listed company can only spin out a major asset if:

- (a) the securities in the spin out vehicle (other than those being retained by the company itself) are being offered, issued or transferred pro rata to the holders of the ordinary shares in the company, or in another way that, in ASX's opinion, is fair in all the circumstances; or
- (b) the company's shareholders approve the spin out.

The Transaction is regarded as a spin out for these purposes and paragraph (a) above does not apply, so it is a requirement for the Transaction to proceed that the shareholders of the Company to approve the Transaction under paragraph (b) above (being ASX Listing Rule 11.4.1(b)).

Resolution 1 seeks the required shareholder approval to the Transaction under and for the purposes of ASX Listing Rule 11.4.1(b). The consequences of shareholders passing or not passing Resolution 1 are set out above.

The following information is provided in accordance with ASX Guidance Note 13:

- the spin out vehicle is 8 AU Limited.
- The spin out is intended to be effected by way of the farm-in and joint venture as described in this Memorandum. The consideration payable by 8AU for the interest in the Tenements is the payment of \$180,000 to FAU in recognition of past expenditure incurred by the Company and 8AU meeting certain Expenditure requirements as set out in this Memorandum, with the interest in the Tenements acquired by 8AU reflecting the level of Expenditure incurred by 8AU up to \$900,000. The capital structure of 8AU up to the date of its IPO remains in progress, however it is anticipated that shares in 8AU will be offered under the IPO at an issue price of \$0.20 (20 cents) per share. It is proposed that 8AU will make a priority offer to the shareholders of FAU to participate in the IPO of 8AU up to a set amount, however the details

of such a priority offer remain under consideration. As noted above, 8AU proposes completing the IPO in early to mid-2021.

- the asset being spun out is up to an 80% interest in the Tenements. The 80% interest in the Tenements represented \$446,246 in the reviewed half-year financial report of FAU for the half-year ended 30 June 2020. The IER attributes a value of between \$325,650 and \$661,320 to the 50.1% Stage 1 Interest in the Tenements.
- it is anticipated that the spin out of the interest in the Tenements will reduce the consolidated asset position of the Company by a maximum of \$446,246, being the amount attributed to the 80% interest in the Tenements in the reviewed half-year financial report of FAU for the half-year ended 30 June 2020. The reduction in the value of the consolidated asset position will be recognised in a commensurate increase in retained losses. The consolidated total equity position of the Company will be unchanged. The spin out will also reduce the expenditure incurred by the Company in connection with the Talga Project, however as noted above the Company is focused on the exploration of its other projects and will likely allocate funds that would otherwise have been utilised in connection with the Talga Project on the exploration of its other projects.
- it is not anticipated that the spin out will have any other impact on security holders other than as set out in this memorandum.
- the Directors consider that effecting the spin-out without the offer, issue or transfer referred in in ASX Listing Rule 11.4.1(a) is in the interest of the Company and its shareholders having regard to the overall farm-in and joint venture structure of the Transaction and the potential advantages and disadvantages of the Transaction set out above.
- A summary of the material terms of the Talga Agreement is set out in Annexure A.
- A voting exclusion as set out in the Notice applies to Resolution 1.

Corporations Act

Under section 208 of the Corporations Act, a public company cannot give a “financial benefit” to a “related party” unless one of the exceptions to the section apply or shareholders have in general meeting approved the giving of that financial benefit to the related party.

As noted above, the Company and 8AU have a majority of common Directors, with the only Director of the Company who is not also a Director of 8AU being Gavin England. 8AU does not have any Directors who are not also Directors of FAU. Accordingly, 8AU is a related party of the Company under the Corporations Act.

It is noted that none of the Directors will obtain a financial benefit as a result of the Transaction, other than a benefit solely as a result of being a shareholder of the Company and/or 8AU, as applicable.

The entry by the Company into the Transaction and grant of the rights for 8AU to earn up to an 80% interest in the Tenements forming the Talga Project for which approval is sought under Resolution 1 constitutes the giving of a financial benefit to 8AU, a related party of the Company.

Accordingly, Resolution 1 seeks shareholder approval for the purposes of Chapter 2E of the Corporations Act.

The Directors acknowledge each Director of the Company other than Dr Gavin England is also a Director of 8AU and accordingly the Directors propose Resolution 1 also be put to shareholders for the purposes of section 195(4) of the Corporations Act such that shareholders determine whether the Company enters into the Transaction.

Nature of financial benefit

The Company is proposing to dispose of up to 80% of its interest in the Tenements to 8AU on and subject to the terms of the Transaction. The potential interest being disposed of by FAU and acquired by 8AU constitutes a financial benefit for the purposes of the Corporations Act. Further details of the Transaction are set out above. 8AU does not have any existing interest in the Company other than in respect of the Transaction.

The Directors note that, for 8AU to acquire an interest in the Tenements, 8AU must pay the Company \$180,000 in recognition of expenditure incurred in connection prior exploration and then must meet certain Expenditure requirements to acquire different percentage interests in the Tenements. Expenditure includes all outgoings in connection with the Tenements which would have otherwise been required to be met by the Company to maintain the Tenements in good standing, including without limitation renewal costs.

Valuation

The IER attributes a value of between \$325,650 to \$661,320 to the 50.1% Stage 1 Interest in the Tenements. Further details are set out on page 15 of the IER. *Financial impact*

The Directors anticipate that the short to medium term financial impact of the Transaction will be to:

- increase the cash reserves of the Company as a result of the reimbursement payment to be made by 8AU to the Company in connection with the costs incurred by FAU in completing the IP survey; and
- allow the Company to allocate the cash resources that would otherwise have been utilised in connection with the Talga Project (including maintenance costs) to the exploration of its other projects.

The long-term financial impact of the Transaction is dependent upon the level of success of exploration activities on the Talga Project and the ultimate interests held by FAU and 8AU in the Tenements. The long-term financial impact of the Transaction is also dependent upon the results of the exploration activities undertaken by the Company using those funds that would have otherwise been utilised in connection with the Talga Project. The Directors expressly note that mineral exploration activities are inherently uncertain and no guarantee can be given that such activities will be successful or that a commercially viable mineral deposit will be identified.

Noting the above, the Directors are not in a position to predict the long-term financial impact of the Transaction.

Director recommendation

As all Directors of the Company other than Gavin England are also Directors of 8AU and therefore have a conflict of interest, the Directors of the Company other than Gavin England abstain from making a recommendation as to how shareholders ought to vote in respect of Resolution 1.

Gavin England, the only Director of the Company who is not also a Director of 8AU, recommends that shareholders vote in favour of Resolution 1. This recommendation is made on the basis of the information set out in the Memorandum, in particular the commercial terms of the Transaction and the potential advantages and disadvantages of the Transaction.

The Directors strongly recommend shareholders read the Notice and this Memorandum and its Annexures (including the IER) in full prior to determining how to vote in relation to Resolution 1 of the Notice.

Note: references in the Notice and the Memorandum to “\$” are to Australian currency.

ANNEXURE A

SUMMARY OF TALGA AGREEMENT

8AU and FAU have entered into the Talga Agreement as the formal documentation for the Transaction. The material terms of the Talga Agreement are summarised below. The Talga Agreement replaces the Terms Sheet.

Conditions

Commencement of the farm-in and joint venture is conditional upon each of the following being satisfied (each being a **Condition**):

- (a) **Due Diligence:** 8AU completing to its satisfaction (determined in its sole discretion) investigations into the Tenements, FAU and such other matters as are considered by 8AU to be relevant to the transactions contemplated in the Talga Agreement by 31 March 2021 (**Due Diligence Date**). FAU will provide 8AU with information and documents reasonably requested by it in order to facilitate conduct and completion of 8AU's due diligence enquiries.
- (b) **No Material Adverse Event:** There being no event, matter or circumstance occurring between 19 November 2020 and the date on which the last of the Conditions (other than this Condition (c)) are satisfied (**Effective Date**) which would materially adversely affect the rights or interests to be acquired by 8AU under the transactions contemplated by the Talga Agreement. This Condition is solely for the benefit of 8AU and 8AU may terminate in the event of the occurrence of a materially adverse event in the period referred to above.
- (c) **ASX Admission:** 8AU receiving confirmation from ASX that it will admit 8AU to the official list of ASX, subject to typical administrative and completion conditions and AU completing the capital raising to be conducted in connection with its admission to the official list of ASX no later than the End Date.
- (d) **FAU Approvals:** Any approval or waiver required by FAU from ASIC or under the Corporations Act, from ASX or under the ASX Listing Rules or from FAU shareholders in connection with the transaction contemplated by the Talga Agreement having been obtained on terms reasonably satisfactory to FAU by the End Date.
- (e) **8AU Approvals:** Any approval or waiver required by 8AU from ASIC or under the Corporations Act, from ASX or under the ASX Listing Rules or from 8AU shareholders in connection with the transaction contemplated by the Talga Agreement having been obtained on terms reasonably satisfactory to 8AU.

Conditions (a) and (b) above are to be satisfied by the Due Diligence Date. Conditions (c) to (e) are to be satisfied by 30 June 2021 (**End Date**). If one or more of the Conditions that are not satisfied by the relevant date, either party may terminate the Talga Agreement by written notice to the other, provided that a party will not be entitled to terminate the Talga Agreement on the basis that Conditions (a) and/or (b) are not satisfied where that party's action or inaction is a substantial reason for the non-satisfaction. The parties agree they will act in good faith to extend the dates for satisfaction of the Conditions where reasonably requested by the other party.

Farm-in

Details of the farm-in aspect of the Transaction as contained in the Memorandum is also extracted below. References below to 8AU include its nominee as applicable:

- References below to "Expenditure" means all outgoing (including rents, rates, survey fees and other fees and charges under any applicable legislation or otherwise directly connection with the Tenements) and all costs and expenses incurred by or on behalf of 8AU in respect of any activity directly connected to the discovery, location and delineation of minerals on the Tenements and any activities which are reasonably incidental thereto including, without limitation, undertaking feasibility studies, drilling, maintaining the Tenements and accessing the land on which the Tenements are located.

- FAU grants 8AU the right to obtain up to an 80% interest in the Tenements as described below:
 - 8AU will acquire a 50.1% undivided and unencumbered interest in the Tenements as a tenant in common (**Stage 1 Interest**) upon:
 - 8AU making a payment on the date upon which all conditions precedent other than there being not material adverse event have been satisfied (**Effective Date**) of \$180,000, in recognition of expenditure incurred by FAU prior to the date of the Terms Sheet, at which time 8AU will be deemed to have a 10% interest in the Tenements; and
 - 8AU incurring Expenditure of not less than \$300,000 within one (1) year of the Effective Date (**Stage 1 Period**), at which time the interest of 8AU in the Tenements will increase by 40.1%, from 10% to 50.1%.

If 8AU earns the Stage 1 Interest then 8AU will hold an 50.1% interest and FAU will hold a 49.9% interest in the Tenements as a tenants in common. Subject to satisfaction of the conditions precedent, 8AU is committed to incurring the Expenditure required to acquire the Stage 1 Interest.

- Subject to 8AU earning the Stage 1 Interest, FAU grants 8AU the right, but not the obligation, to acquire a further 19.9% undivided and unencumbered interest in the Tenements as a tenant in common (**Stage 2 Interest**) by incurring aggregate Expenditure (inclusive of Expenditure incurred in connection with obtaining the Stage 1 Interest) of not less than \$600,000 within two (2) years of the Effective Date (**Stage 2 Period**). 8AU may exercise its right to acquire the Stage 2 Interest by giving FAU notice in writing within 21 days from the end of the Stage 1 Period. In the event 8AU elects to exercise its right to acquire the Stage 2 Interest, 8AU is committed to incurring the Expenditure required to acquire the Stage 2 Interest.

In the event that 8AU does not make an election to earn the Stage 2 Interest within 21 days from the end of the Stage 1 Period, the parties will be in a joint venture where 8AU will hold a 50.1% interest and FAU will hold a 49.9% interest.

If 8AU earns the Stage 2 Interest then 8AU will hold an 70% interest and FAU will hold a 30% interest in the Tenements as a tenants in common.

- Subject to 8AU earning the Stage 2 Interest, FAU grants 8AU the right, but not the obligation, to acquire a further 10% undivided and unencumbered interest in the Tenements as a tenant in common (**Stage 3 Interest**) by incurring aggregate Expenditure (inclusive of aggregate Expenditure incurred in connection with obtaining the Stage 1 Interest and Stage 2 Interest) of not less than \$900,000 within three (3) years of the Effective Date (**Stage 3 Period**). 8AU may exercise its right to acquire the Stage 3 Interest by giving FAU notice in writing within 21 days from the end of the Stage 2 Period. In the event 8AU elects to exercise its right to acquire the Stage 3 Interest, 8AU is committed to incurring the Expenditure required to acquire the Stage 3 Interest.

In the event that 8AU does not make an election to earn the Stage 3 Interest within 21 days from the end of the Stage 2 Period, the parties will be in a joint venture where 8AU will hold a 70% interest and FAU will hold a 30% interest.

If 8AU earns the Stage 3 interest then 8AU will hold an 80% interest and FAU will hold a 20% interest in the Tenements as tenants in common.

From the point at which 8AU earns the Stage 3 Interest, FAU will be free-carried through to a decision to mine in respect of the Talga Project.

8AU will be responsible for any stamp duty associated with the transfer to it of the Stage 1 Interest, Stage 2 Interest and/or Stage 3 Interest.

Manager

8AU shall act as manager in respect of the Tenements during any period within which 8AU retains a right to earn the Stage 1 Interest, Stage 2 Interest or Stage 3 Interest. 8AU will have sole discretion to determine the nature and scope of Expenditure provided that during that period 8AU must do all things necessary to maintain the

Tenements in good standing (including ensuring that all statutory reporting requirements are complied with and payment all fees, rent, rates and other similar charges). FAU will provide reasonable assistance to 8AU to enable 8AU to comply with its obligations as manager. 8AU as manager shall provide FAU will written reports on the activities being conducted on the Tenements, including on the Expenditure.

Joint Venture

The joint venture aspect of the Transaction commences on the Effective Date. A summary of the key aspects of the joint venture arrangement is set out below:

- FAU shall not be required to contribute Expenditure whilst 8AU has the right to earn the Stage 1 Interest, Stage 2 Interest or Stage 3 Interest, following which the parties shall contribute to the Expenditure in accordance with their respective joint venture interests.
- An operating committee shall be formed once 8AU no longer has the right to earn the Stage 1 Interest, Stage 2 Interest or Stage 3 Interest. The operating committee shall comprise a representative from each of the participants in the joint venture, with each representative holding a proportion of votes in the committee equal to the joint venture interest of the participant they represent.
- Decisions of the operating committee shall be made by simple majority except for specific matters which shall require a unanimous resolution. Matters requiring a unanimous resolution include, but are not limited to, the commencement of mining operations, the surrender, abandonment or disposal of any part of a Tenement, the sale of all or substantially all joint venture property and the permanent cessation of joint venture operations.
- Whilst 8AU is manager and has the right to earn the Stage 1 Interest, Stage 2 Interest or Stage 3 Interest, 8AU shall have capacity to determine annual programmes and budgets for the joint venture activities. 8AU must consult with FAU and such programmes and budgets must be reasonable and in accordance with good industry practice. Once 8AU no longer has the right to earn the Stage 1 Interest, Stage 2 Interest or Stage 3 Interest, the approval or revision of programmes and budgets shall be by unanimous resolution of the operating committee (subject to deemed approval to keep the Tenements in good standing where a unanimous resolution is not passed).
- The Talga Agreement otherwise contains provisions typical for arrangements of this kind, including without limitation clauses with respect to potential dilution of participant interest, rights of pre-emption, access to information, provisions where a joint venture participant is in default of their obligations including the manner in which the joint venture interest of the defaulting participant may be purchased by the other participants and warranties and indemnities by both parties to each other.

Caveat

FAU consents to 8AU lodging such caveats and other applicable documents as it considers reasonable to protect its interests.

Exclusivity

From the date of the Talga Agreement until earlier of termination of the Talga Agreement or completion, no party may without express agreement of the other enter into any discussions, negotiations, agreements with any third party (or encourage or procure any third party to do any of those things) in relation to any assets, rights or interests in the Tenements or provide any information to any third party in connection with the transactions contemplated by the Talga Agreement. The exclusivity provisions will not prohibit a party from seek advice in connection with the Transaction from professional advisers and/or 8AU entering into discussions, negotiations, agreements or arrangements with potential providers of funds or other services or support.

Withdrawal and termination

After 8AU no longer has the right to earn the Stage 1 Interest, Stage 2 Interest or Stage 3 Interest, either 8AU or FAU may withdraw from the joint venture by not less than 3 months written notice. Upon withdrawal, the withdrawing party forfeits its joint venture interest and other rights. A withdrawing party remains responsible for its proportion of any rehabilitation obligations in according with its joint venture interest immediately prior to withdrawal. If 8AU withdraws whilst it has the right to earn the Stage 1 Interest, Stage 2 Interest or Stage 3 Interest, its deemed proportion of rehabilitation obligations will be 100%.

The joint venture shall continue until terminated by unanimous agreement between FAU and 8AU or, if after 8AU no longer has the right to earn the Stage 1 Interest, Stage 2 Interest or Stage 3 Interest, either FAU or 8AU hold a 100% joint venture interest.

General

The Talga Agreement otherwise contains provisions typical for binding agreement of this kind, including with respect to confidentiality, force majeure, dispute resolution and the use of best endeavours to obtain required ministerial consent (if any) for transfer of an interest in the Tenements.

ANNEXURE B
INDEPENDENT EXPERT'S REPORT (INCLUDING TECHNICAL REPORT)

31 December 2020

The Independent Directors
First Au Limited
Level 1/123 Whitehorse Road
Balwyn VIC 3103

Dear Directors

Re: Independent Expert's Report

1. Introduction

The Independent Directors of First Au Limited ("First Au" or "FAU" or the "Company") have requested PKF Melbourne Corporate Pty Ltd ("PKF Corporate") to prepare an Independent Expert's Report ("IER") in respect of a proposed transaction that would see the Company enter into a Farm-In and Joint Venture agreement with 8AU Limited ("8AU").

8AU is a public Australian resource company which shares common directors with the Company. 8AU intends to complete an Initial Public Offering (IPO) in early 2021, based on the acquisition of assets and/or interests in multiple exploration projects in Western Australia.

The Australian Securities Exchange (ASX) Listing Rule 10.1 requires that a company obtain shareholder approval at a general meeting when the disposal of a substantial asset is made to a related party or a shareholder holding an interest in at least 10% of the company's voting securities. As FAU and 8AU have common directors, 8AU is considered to be a related party of FAU. Accordingly, ASX Listing Rule 10.1 requires that the Company obtain shareholder approval for the proposed transaction. Shareholder approval pursuant to Chapter 2E of the Corporations Act 2001 (the "Act") is also required.

2. The Proposed Transaction

2.1 Summary of the Proposed Transaction

On 20 November 2020, First Au announced that it had entered into a conditional binding term sheet with 8AU in respect of a Farm-In and Joint Venture Agreement (the "Joint Venture") in relation to the Talga Gold and Base Metals Project, located in the East Pilbara region of Western Australia (the "Talga Project"). The Joint Venture, if approved by shareholders of First Au, may see 8AU earn up to an 80% interest in the Talga Project on a staged basis.

The Joint Venture will come into effect subject to First Au obtaining the necessary approvals under the ASX Listing Rules and the Act and 8AU completing an IPO by 30 June 2021.

The consideration and earn in terms under the Joint Venture as originally announced to the ASX on 20 November 2020 were as follows:

1. To earn a 50.1% interest in the Talga Project, 8AU must:
 - pay up to AU\$100,000 to First Au as reimbursement for costs incurred by First Au in respect to the Induced Polarization survey (the "IP Survey") undertaken at the Razorback Gold Prospect which forms part of the Talga Project. 8AU will earn an initial 10% interest in the Talga Project upon making this reimbursement payment; and
 - spend AU\$300,000 on defined exploration expenditure within 1 year of the effective date of the Joint Venture. 8AU will earn an additional 40.1% interest in the Talga Project upon achieving this expenditure requirement.

(collectively referred to as "Stage 1")

2. To earn an additional 19.9% interest in the Talga Project (70% interest in total), 8AU must spend an additional AU\$300,000 resulting in aggregate minimum expenditures of AU\$600,000 on defined exploration expenditure within 2 years of the effective date of the Joint Venture (referred to as the "Stage 2 Option").

If 8AU does not make an election to earn the Stage 2 Option interest, First Au and 8AU will enter into a joint venture in their respective percentages based on the Stage 1 interests and each party will be required to contribute expenditure in those percentages.

3. To earn an additional 10.0% interest in the Talga Project (80% interest in total), 8AU must spend an additional AU\$300,000 resulting in aggregate minimum expenditures of AU\$900,000 on defined exploration expenditure within 3 years of the effective date of the Joint Venture (referred to as the "Stage 3 Option").

If 8AU does not make an election to earn the Stage 3 Option interest, First Au and 8AU will enter into a joint venture in their respective percentages based on the Stage 2 interests and each party will be required to contribute expenditure in those percentages.

Once 8AU has earned the Stage 3 Option interest, First Au will retain a 20% interest in the Talga Project and will be free carried to decision to mine in respect of the Talga Project.

Subsequent to PKF Corporate providing a full draft IER to First Au, which concluded that the proposal was not fair but was reasonable, First Au and 8AU renegotiated the Stage 1 terms of the Joint Venture. According to the renegotiated terms in order to earn an initial 10% interest in the Talga Project, 8AU must pay AU\$180,000 to First Au in recognition of costs incurred by First Au in respect to past expenditure at the Talga Project. All other terms under the Joint Venture remained the same.

2.2 Proposed Resolution to be Approved by Shareholders

First Au is seeking shareholder approval for the proposed transaction at the forthcoming General Meeting (“EGM”). The Notice of General Meeting (the “Notice”) requires the shareholders to vote on the following ordinary resolutions:

Resolution 1: Approval for entry in to Farm-In and Joint Venture

“That, for the purposes of ASX Listing Rule 10.1 and 11.4.1(b), Chapter 2E and section 195(4) of the Corporations Act 2001 (Cth) and for all other purposes, shareholders approve the Company entering in to the farm-in and joint venture arrangement with 8AU Limited [ACN 644 358 403] as described in the Memorandum which accompanied and formed part of this Notice.”

We have been requested to provide an opinion on whether Resolution 1 is fair and reasonable to the Non-Associated Shareholders and we refer to this transaction as the Proposed Transaction (the “Proposed Transaction”) in the balance of this report.

If the shareholders of First Au approve the Proposed Transaction, the quantum of the consideration payable to First Au and aggregate expenditures which 8AU has agreed to incur on exploration on the Talga Project under the Proposed Transaction exceed 5% of the value of First Au’s equity interests. Accordingly, ASX Listing Rule 10.1 requires First Au to obtain shareholder approval to effect the Proposed Transaction.

The Directors of First Au have requested PKF Corporate to prepare an IER in accordance with ASIC Regulatory Guide 111 – Content of expert reports. ASIC Regulatory Guide 111 requires the Independent Expert to advise the shareholders whether the Proposed Transaction is fair and reasonable, when considered in the context of the interests of the Non-Associated Shareholders (all shareholders entitled to vote on the Proposed Transaction).

3. Summary opinions

In our opinion, the Proposed Transaction is **fair and reasonable to the Non-Associated Shareholders**. Our principal reasons for reaching this opinion are:

Fairness

- In Section 7 of this report, we assessed the value of the Talga Project that First Au may dispose of to be in a range of AU\$325,650 to AU\$661,320 (based on a 50.1% interest). It should be noted that the value of the Talga Project that First Au may dispose of does not include any values under the Stage 2 Option and Stage 3 Option as these values are not able to be assessed at this point in time;
- In Section 8 of this report, we assessed the value of the consideration being offered by 8AU to be AU\$329,700 (based on a 50.1% interest). It should be noted that the consideration being offered in return excludes Stage 2 Option and the Stage 3 Option as well as the free carry of any costs above the minimum exploration expenditures and the free carry of a 20% interest in the Talga Project to decision to mine as these values are not able to be assessed at this point in time; and
- As the value of the consideration being offered by 8AU under Stage 1 (AU\$329,700) is within the range of the value of the Talga Project that First Au may dispose of under Stage 1 (AU\$325,650 to AU\$661,320), we have concluded that the Proposed Transaction is **fair**.

Reasonableness

The reasons for assessing the Proposed Transaction as **reasonable** are:

- First Au's current and prioritised focus is on the exploration of the areas comprising the interests in the Company's Gimlet Gold Project and the Victorian Goldfields Project. 8AU is proposed to hold other proximate and complimentary exploration assets to the Talga Project which may allow 8AU to focus geologically on the Talga Project and the surrounding area. Accordingly, if Shareholders approve the Proposed Transaction, the exploration activities of 8AU may provide a benefit to First Au whilst it continues to focus on its other exploration projects.
- If Shareholders do not approve the Proposed Transaction, First Au will need to seek alternative funding to contribute to the exploration development of the Talga Project which may be on less favourable terms and may force First Au to reallocate cash resources and management efforts away from its other exploration projects. The MCD technical valuation report (set out in Attachment 1 to this report) sets out the annual expenditure commitment of the Talga Project to be AU\$262,000 in order for First Au to maintain its holding in these assets (refer to Section 2.2 Tenure of the MCD report). Accordingly, if Shareholders do not approve the Proposed Transaction, First Au will be required to meet these expenditure commitments to maintain its ownership of the Talga Project. Based on First Au's cash at bank of AU\$615,000 as reported in its September 2020 Quarterly Cashflow Report and the net cash raised under the Private Placement of approximately AU\$1.460 million (AU\$1,553,400 less 6% placement fee), we estimate that First Au currently has approximately AU\$2.0 million in cash resources.
- First Au has indicated that the recent capital raised under the Share Purchase Plan (AU\$280,000) and the Placement (AU\$1,553,400 before costs) is to be predominantly applied towards exploration work at its flagship Gimlet Gold Project and commencement of field activities at the Haunted Stream Gold Project within the Victorian Goldfields Project. Accordingly, if Shareholders do not approve the Proposed Transaction, First Au may be required to allocate cash resources towards the Talga Project in order to maintain its ownership of these assets and, as such, First Au may need to raise additional capital to cover the cash expenditure that it did not intend to spend on the Talga Project.
- There is a high degree of risk in entering into joint venture agreements as the obligations of the other parties may not be completed due to an incapacity to fulfill their contractual obligations and/or disagreements on exploration and development programs.
- Assuming exploration activities on the Talga Project are advanced and gold production is determined to be commercially viable, there is significant upside for First Au as it will retain a 20% interest in the Talga Project and will be free carried to decision to mine.
- If Shareholders approve the Proposed Transaction, First Au may receive AU\$180,000 as a cash payment in respect to past expenditure incurred at the Talga Project. This will result in an immediate improvement to the cash resources of First Au.

Based on the initially announced Stage 1 terms of the Joint Venture and prior to First Au and 8AU renegotiating the Stage 1 terms of the Joint Venture (refer to Section 2.1 of this report), we assessed the value of the consideration being offered by 8AU to be AU\$249,700 (based on a 50.1% interest) and concluded that the Proposed Transaction was **not fair but was reasonable to the Non-Associated Shareholders** of First Au. As a result to the change to the Proposed Transaction, we increased our assessment of the value of the consideration being offered by 8AU by AU\$80,000 and consequently this resulted in a change to our fairness opinion.

4. Structure of this report

The remainder of this report is divided into the following sections:

<u>Section</u>	<u>Page</u>
5 Purpose of the report	6
6 Talga Project - key information	10
7 Assessment of the value of the Talga Project to be disposed of by First Au	12
8 Assessment of the value of the consideration receivable	17
9 Assessment as to Fairness	18
10 Assessment as to Reasonableness	18
11 Assessment as to Fairness and Reasonableness	19
12 Related Party – Financial Benefits	20
13 Financial Services Guide	21
 <u>Appendix</u>	
A Sources of Information	23
B Declarations, Qualifications and Consents	24
 <u>Attachment</u>	
1 MCD Geo Pty Ltd Independent Technical Specialist Report	

5. Purpose of the report

This report has been prepared to meet the following regulatory requirements:

- **ASX Listing Rules 10.1 and 10.2**

Listing Rules 10.1 and 10.2 require a company to obtain shareholder approval at a general meeting when the disposal or acquisition of a substantial asset, which has a value in excess of 5% of the shareholders' funds, as set out in the latest financial statements given to the ASX, is to be made to or from:

- (a) a related party;
- (b) a subsidiary;
- (c) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;
- (d) an associate of a person referred to in paragraphs (a), (b) or (c) above; or
- (e) a person whose relationship to the entity or a person referred to above is such that, in the ASX's opinion, the transaction should be approved by security holders.

As

- all of the current directors of 8AU are also directors of First Au, 8AU is considered to be a related party of First Au; and
- the value of the Proposed Transaction exceeds 5% of the equity interest of First Au as set out in the latest financial statements given to the ASX (5% x total equity of AU\$2,857,511 as at 30 June 2020 = AU\$142,876);

Listing Rule 10.1 will apply to the Proposed Transaction.

- **Corporations Act 2001 – Chapter 2E**

Section 208 of the Act states that a public company must obtain approval from the company's members if it gives a financial benefit to a related party unless the benefit falls within the scope of an exception to the Act as set out in Section 210 to 216 of the Act.

Section 210 of the Act states that member approval is not needed to give a financial benefit on terms that:

- (a) would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a) above.

Section 211 of the Act states that member approval is not needed to give a financial benefit if:

- (a) the benefit is remuneration to a related party as an officer or employee; and
- (b) to give the remuneration would be reasonable.

Section 228(2) of the Act defines 'related parties' of a public company as:

- (a) directors of the public company;
- (b) directors (if any) of an entity that controls the public company;
- (c) if the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity;
- (d) spouses and de facto spouses of the persons referred to in paragraphs (a) to (c) above.

As 8AU is a related party of First Au under Section 228(2) of the Act, the Proposed Transaction will constitute a financial benefit.

The Proposed Transaction is permitted by the Act, however, Section 208 of the Act provides that prior shareholder approval is required before a public company can provide a financial benefit to a related party. Shareholders must be provided with all the information that is reasonably required in order for them to decide whether or not it is in the company's interests to approve the giving of the financial benefit.

The Directors of First Au have requested PKF Corporate to independently assess the value of this financial benefit.

- **ASIC Regulatory Guides**

This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

RG 76 – Related Party Transactions (“RG76”)

RG 76.105 To ensure that members are provided with sufficient information to assess a proposed related party transaction and decide how to vote, it may be necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Ch 2E or Pt 5C.7 where:

- (a) the financial benefit is difficult to value;
- (b) the transaction is significant from the point of view of the entity (see RG 76.113); or
- (c) the non-interested directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

RG 76.107 Independent valuation advice on a proposed related party transaction can help members better understand and assess the proposal and make an informed decision about how to vote. Independent valuation advice can also play an important part in maintaining investor confidence in the management of the entity.

RG 76.109 There is no express requirement in Ch 2E for an independent expert report to be obtained for provision to members with a notice of meeting. However, we encourage independent expert reports to be obtained and sent to members with the accompanying explanatory material in the circumstances set out in RG 76.105.

- RG 76.110 In our view, under Ch 2E and directors' duties, directors have a general obligation to include information about the value of a financial benefit in a notice of meeting for member approval of a related party benefit. The directors' fiduciary duty of disclosure generally requires notices of meeting for approval of asset sales or acquisitions to include the material information necessary for members to assess whether a transaction is for a fair price, and whether the terms and conditions are onerous or disadvantageous: see *Sunraysia* at 635.
- RG 76.111 The economic and commercial considerations addressed in the examples in s219(2) would often require directors to provide information about the value of the benefit.
- RG 76.112 In some cases, a notice of meeting for approval of a related party benefit could include information about the value of the financial benefit in the form of advice from the non-interested directors. However, given the complexities and inherent conflicts of interest involved in many related party transactions, it is sometimes more appropriate for an entity to commission an independent expert to give an opinion on the proposed transaction.
- RG 76.113 A transaction can be significant from the point of view of an entity – so that an independent expert report may be necessary (see RG 76.104(b)) – for reasons other than the dollar value involved. For example, a transaction may be considered to be significant if it involves a change of business activities or strategic direction, the replacement of the full board, substantial dilution of existing members, or if it is very complex.
- RG 76.114 Regulatory Guide 111 *Content of Expert Reports* (RG 111) provides guidance on the content of expert reports for related party and other transactions and how experts should assess related party transactions.

RG 111 – Content of Expert Reports (“RG111”)

- RG 111.55 Generally, ASIC expects an expert who is asked to analyse a related party transaction to express an opinion on whether the transaction is 'fair and reasonable' from the perspective of non-associated members. This analysis is specifically required where the report is also intended to accompany meeting materials for member approval of an asset acquisition or disposal under ASX Listing Rule 10.1.
- RG 111.53 When analysing related party transactions, it is important that an expert focuses on the substance of the related party transaction, rather than the legal mechanism. For example, where a related party transaction is made up of a number of separate components, the expert should consider the overall effect of the related party transaction.
- RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Ch 2E or ASX Listing Rule 10.1), this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information. See Regulatory Guide 76 Related party transactions (RG 76) at RG 76.106–RG 76.111 for further details.

RG 111.57 A proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made:

- (a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- (b) for control transactions, on the basis referred to in RG 111.11.

- **General**

The terms "fair" and "reasonable" are not defined in the Act, however, guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

Fairness	the Proposed Transaction is "fair" if the value of the interest in the Talga Project that First Au may dispose of is equal to or less than the consideration being offered by 8AU.
Reasonableness	the Proposed Transaction is "reasonable" if it is fair. It may also be "reasonable" if, despite not being "fair" but after considering other significant factors, we consider that the advantages of proceeding with the Proposed Transaction outweigh the disadvantages of proceeding.

What is fair and reasonable for the Non-Associated Shareholders should be judged in all the circumstances of the proposal.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as follows:

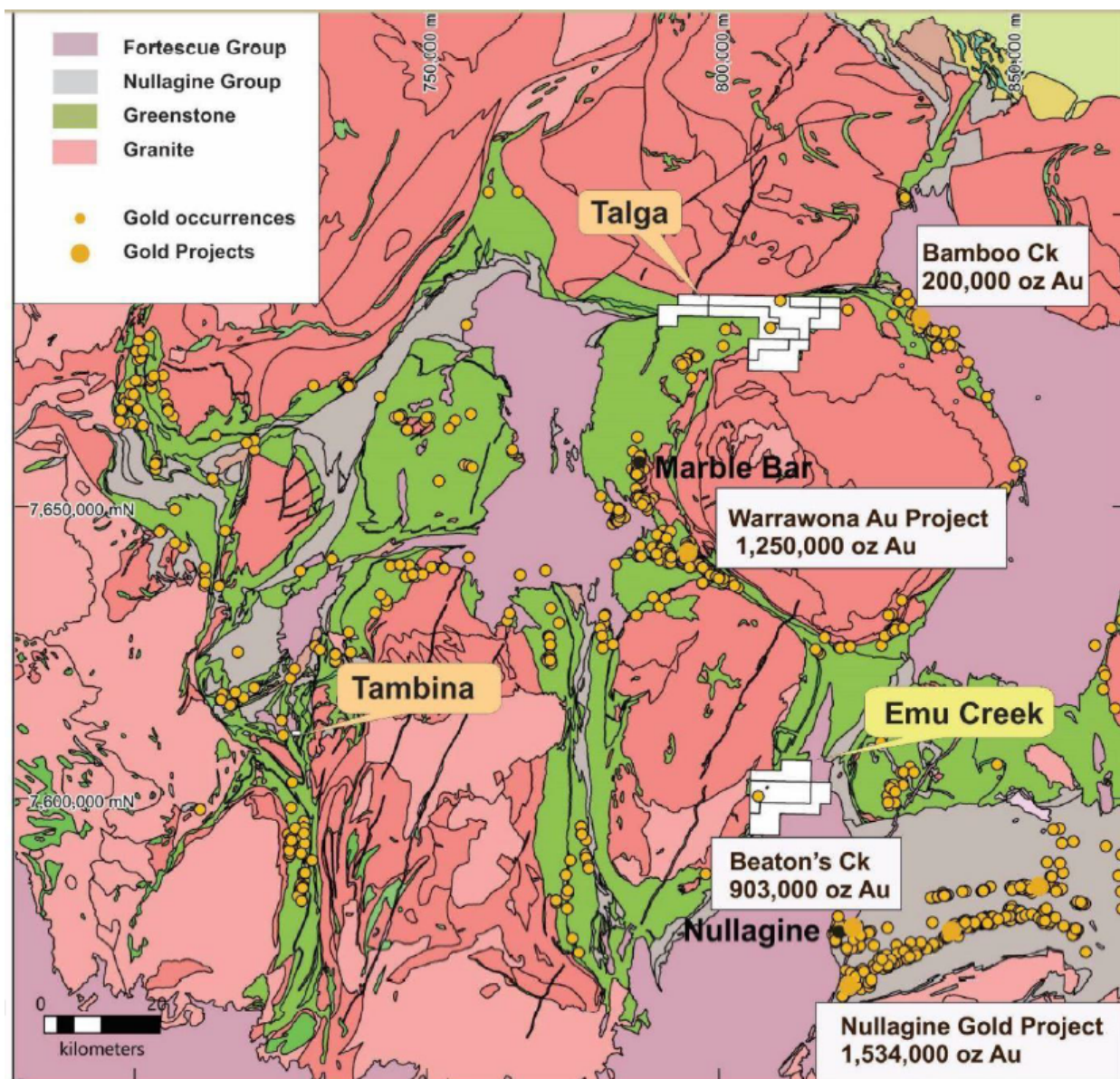
- (i) In determining whether the Proposed Transaction is fair, we have:
 - assessed the value of the Talga Project to be disposed of by First Au;
 - assessed the value of the consideration being offered by 8AU; and
 - compared the value of the Talga Project to be disposed of by First Au with the value of the consideration being offered by 8AU.
- (ii) In determining whether the Proposed Transaction is reasonable, we have analysed other significant factors that the Non-Associated Shareholders should review and consider prior to accepting or rejecting the Proposed Transaction.

6. Talga Project - key information

6.1 The Talga Project is presently 100% owned by First Au and comprises of seven exploration licences which cover a 208 square kilometre area located 35 kilometres northwest of Marble Bar, within the Pilbara region of Western Australia.

6.2 Below is a map showing the location of the Talga Project.

Figure 1



Source: ASX

- 6.3 We have summarised below the seven exploration licences that form part of the Talga Project and the respective past exploration costs attributed to each by First Au.

Table 1

First Au Limited Talga Project	Licence Number	Number of blocks	Expenditure AU\$
Talga	E45/3679	24	39,428.00
Talga	E45/5595	2	-
Talga	E45/5596	3	-
Talga	E45/3857	7	40,195.00
Razorback	E45/4137	7	73,604.00
Talga Talga	E45/5571	11	8,178.00
Talga West	E45/4615	3	10,902.00
		57	172,307.00

Source: First Au

- 6.4 Further detailed information in relation to the Talga Project held by First Au is provided in the MCD Geo Pty Ltd ("MCD") Independent Technical Specialist Report (see Attachment 1 of this report).

7. Assessment of the value of the Talga Project to be disposed of by First Au

7.1 Value definition

PKF Corporate's valuation of the Talga Project to be disposed of by First Au is on the basis of 'fair market value', defined as:

'the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length'.

7.2 Valuation methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

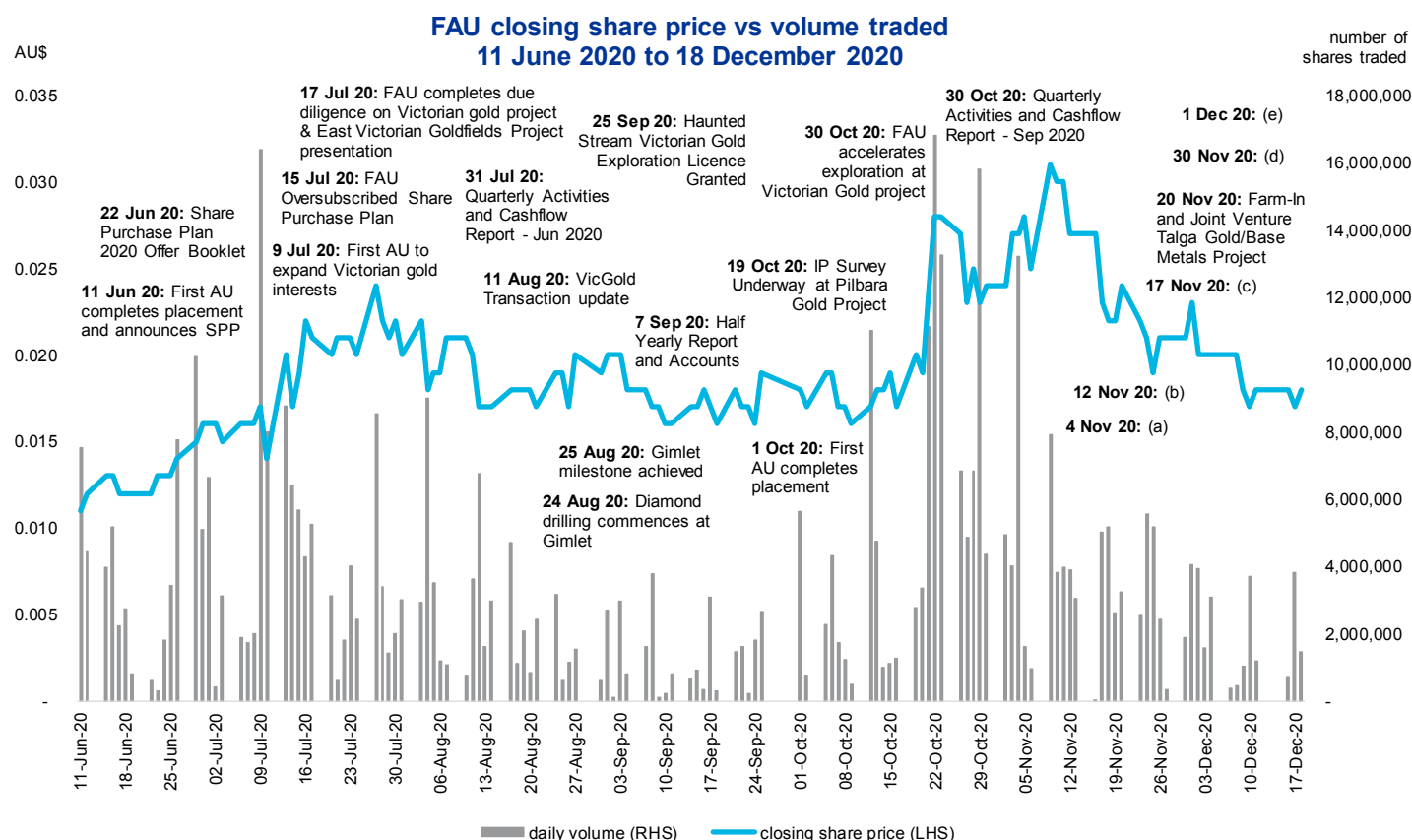
- share price history;
- capitalisation of future maintainable earnings;
- net present value of future cash flows;
- asset based methods;
- comparable market transactions; and
- alternate acquirer.

7.3 Share price history

- 7.3.1 The share price history valuation methodology values a company based on the past trading in its shares. We normally analyse the share prices up to a date immediately prior to the date when a takeover, merger or other significant transaction is announced to remove any price speculation or price escalations that may have occurred subsequent to the announcement of any proposed transaction.
- 7.3.2 As the share price history of First Au will incorporate all exploration activities regarding all of the mineral assets it holds an interest in, we consider that the share price history is not an appropriate methodology to use to value the interest to be disposed by First Au in the Talga Project.
- 7.3.3 Whilst it is not possible to value the assets being sold by reference to the share price history, we note that the Proposed Transaction was announced on the ASX on 20 November 2020 and the share market has had an opportunity to evaluate the Proposed Transaction.

7.3.4 We have set out below a graph showing the recent daily closing share price and volume of First Au shares as well as a selection of market sensitive announcements on the ASX.

Graph 1



Source: ASX, PKF Corporate analysis

- a) Mineralisation continues with depth at Gimlet
- b) RC drilling commences at Gimlet
- c) Snowstorm gold project exploration licence renewed
- d) Deep diamond drilling commences at Gimlet
- e) Sampling at Snowstorm produces rock chips up to 112g/t Au

7.3.5 As can be seen from the graph above, First Au's share price did not have any material change in price or trading volume following the announcement of the Proposed Transaction.

7.3.6 Whilst it is not possible to place a value on the interest in the Talga Project being disposed of by First Au by reference to the share price, there is evidence that the share market has neither viewed the transaction as materially favourable or unfavourable for the First Au shareholders at this point in time.

7.4 Capitalisation of future maintainable earnings

7.4.1 Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

- 7.4.2 As the Proposed Transaction relates to exploration assets that are at an exploration stage, we consider that the capitalisation of maintainable earnings methodology is not an appropriate methodology to use to value the interests in the Talga Project to be disposed by First Au.

7.5 Net present value of future cash flows

- 7.5.1 An analysis of the net present value of the projected cash flows of a business and/or asset (or discounted cash flow technique) is based on the premise that the value of the business and/or asset is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business and/or asset remaining at the end of the forecast period.
- 7.5.2 As the Proposed Transaction relates to exploration assets that are at an exploration stage, the interest to be disposed by First Au in the Talga Project cannot be valued using the net present value of future cash flows methodology as there is insufficient certainty that any cash flows can be derived from these assets.

7.6 Asset based methods

- 7.6.1 This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realization costs.

On review of First Au's statement of financial position as at 30 June 2020, the book value of its assets did not separately attribute any value to the Talga Project. As set out in Section 6.3 of this report, the past exploration costs in respect of the Talga Project total approximately AU\$172,000, however, they may not represent the market value of the Talga Project and, as such, we have engaged MCD¹ to assist us in assessing the value of the Talga Project. A full copy of the MCD technical valuation report is set out as Attachment 1 to this report.

We have reviewed the MCD technical valuation report and summarised the valuation ranges in the table below ascribed to the Talga Project.

Table 2

First Au Limited Technical values	Low AU\$	Preferred AU\$	High AU\$
Talga Project	650,000	960,000	1,320,000

Source: MCD

MCD's valuation of the Talga Project is on a 100% basis. The Proposed Transaction, if approved may see First Au dispose up to 80% of its interest in the Talga Project to 8AU.

¹ MCD Geo Pty Ltd is an independent private consulting company which has been providing consulting services to the international and local mining industry since 2005.

The assessed value of the interest that may be disposed by First Au, if shareholders approve the Proposed Transaction, is set out in the table below.

Table 3

First Au Limited Assessment of the value of the interest to be disposed	Cumulative Interest	Low AU\$	Preferred AU\$	High AU\$
Talga Project				
Assessed value by MCD (100% basis)		650,000	960,000	1,320,000
Stage 1	50.1%	325,650	480,960	661,320
Stage 2 Option	70.0%	455,000	672,000	924,000
Stage 3 Option	80.0%	520,000	768,000	1,056,000

Source: MCD report, PKF Corporate analysis

As can be seen from the above table, the value of the interest to be disposed by First Au in the Talga Project, if shareholders approve the Proposed Transaction and dependent on 8AU achieving certain milestones, may be up to AU\$768,000 as represented by the preferred value when an 80% interest is disposed of by First Au under the Stage 3 Option. However, the Stage 2 Option and Stage 3 Option components of the Proposed Transaction merely provide an option to 8AU.

In order to place a value on the Stage 2 Option and Stage 3 Option, we consider that neither the Stage 2 Option nor Stage 3 Option is likely to be exercised until after the committed expenditure towards exploration activities at the Talga Project are expended under Stage 1 and the exploration results are known. Accordingly, the value of the interest that First Au may dispose of in the Talga Project under the Stage 2 Option or Stage 3 Option is contingent on the success of the committed expenditure towards exploration activities under Stage 1.

In light of the above comments, we have not been able to objectively assess a commercial value of the Stage 2 Option and Stage 3 Option at this point in time.

(b) Orderly realisation of assets

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

Given First Au's level of cash resources and demonstrated ability to raise capital, we do not consider that an orderly realisation of the Talga Project is an appropriate valuation methodology to use in assessing the value of the interest held by First Au in the Talga Project at this point in time.

(c) Liquidation of assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

We consider that this methodology is an inappropriate valuation methodology to use as First Au has existing cash resources and a demonstrated ability to raise capital.

7.7 Comparable market transactions

- 7.7.1 Industry specific methods estimate market values using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an asset than other valuation methods because they may not account for specific factors.
- 7.7.2 The comparable market transactions valuation methodology has been utilised by MCD in forming their opinion set out in Section 7.6.1 of this report which we have relied upon.

7.8 Alternate acquirer

- 7.8.1 The value that an alternative offeror may be prepared to pay to acquire an interest in the Talga Project is a relevant valuation methodology to be considered.
- 7.8.2 We are not aware of any alternative proposals received to acquire an interest in the Talga Project and we can see no reason as to why an offer would be initiated at this time without the consent and support of the shareholders of First Au.

7.9 Conclusion

- 7.9.1 Under the net asset based valuation method, we have concluded that the value of the interest in the Talga Project that First Au may dispose of, if shareholders approve the Proposed Transaction, is in a range of **AU\$325,650 to AU\$661,320** based on a 50.1% interest to be disposed of by First Au under Stage 1.
- 7.9.2 We have not placed any value on the interest in the Talga Project that First Au may dispose of under the Stage 2 Option and Stage 3 Option as we have not been able to objectively assess their commercial value.

8. Assessment of the value of the consideration receivable

- 8.1 As described in Section 2.1 of this report, the consideration to be received by First Au comprises of cash payments and committed exploration expenditure. The assessed value of the consideration receivable by First Au based on the interest to be disposed of by First Au in the Talga Project is set out in the table below.

Table 4

First Au Limited		Interest to be disposed by First Au		
Assessment of the value of the consideration receivable	note	50.1%	70.0%	80.0%
Cash consideration		AU\$180,000	-	-
Total cumulative cash consideration		AU\$180,000	AU\$180,000	AU\$180,000
Exploration expenditure	1	AU\$300,000	AU\$300,000	AU\$300,000
Total cumulative exploration expenditure		AU\$300,000	AU\$600,000	AU\$900,000
First Au's interest to be retained		49.9%	30.0%	20.0%
First Au's interest in cumulative exploration expenditure	2	AU\$149,700	AU\$180,000	AU\$180,000
Total consideration receivable		AU\$329,700	AU\$360,000	AU\$360,000

Source: ASX, PKF Corporate analysis

Note 1: Minimum exploration expenditure to be incurred by 8AU.

Note 2: The value of First Au's interest in past expenditure committed by 8AU will decrease pro rata to its interest held at each point in time. Accordingly, the effect of 8AU meeting its conditions at each stage is that First Au will benefit from past exploration as to its remaining interest held at each stage. On this basis, we have assessed the total consideration receivable by First Au to include its respective interest in the cumulative minimum exploration expenditure at any point in time, plus the cash received directly from 8AU.

- 8.2 Whilst the above table shows that First Au may receive total consideration of up to AU\$360,000, it should be noted that additional potential benefits to be received by First Au include the free carry of any costs above the minimum exploration expenditures and the free carry of a 20% interest in the Talga Project to decision to mine. We have not included these benefits in the above table as any additional exploration expenditure is unlikely to be committed until the minimum exploration expenditure towards exploration activities at the Talga Project is expended and exploration results are known with respect to Stage 1.
- 8.3 The above means that if the Proposed Transaction is approved by shareholders, First Au may receive up to AU\$360,000. Any additional consideration that may be receivable by First Au if 8AU spend more than the minimum exploration expenditure cannot be factored in as the amount is unknown. We have therefore not included any additional consideration that First Au may receive or benefit from in our assessment of the value of the consideration.
- 8.4 We have concluded that as there is no basis at present for estimating the likelihood of 8AU exercising its option to progress to the Stage 2 Option or Stage 3 Option, the value of the consideration to be received by First Au from the Proposed Transaction is **AU\$329,700 in respect of disposing a 50.1% interest** in the Talga Project.

9. Assessment as to Fairness

- 9.1 The Proposed Transaction is “fair” if the value of the interest in the Talga Project that First Au may dispose of is equal to or less than the consideration being offered by 8AU.
- 9.2 In Section 7 of this report, we assessed the value of the Talga Project that First Au may dispose of to be in a range of AU\$325,650 to AU\$661,320 (based on a 50.1% interest). It should be noted that the value of the Talga Project that First Au may dispose of does not include any values under the Stage 2 Option and Stage 3 Option as these values are not able to be assessed at this point in time as they are contingent on the results of future exploration.
- 9.3 In Section 8 of this report, we assessed the value of the consideration being offered by 8AU to be AU\$329,700 (based on a 50.1% interest). It should be noted that the consideration being offered in return excludes Stage 2 Option and the Stage 3 Option as well as the free carry of any costs above the minimum exploration expenditures and the free carry of a 20% interest in the Talga Project to decision to mine as these values are not able to be assessed at this point in time.
- 9.4 As the value of the consideration being offered by 8AU under Stage 1 (AU\$329,700) is within the range of the value of the Talga Project that First Au may dispose of under Stage 1 (AU\$325,650 to AU\$661,320), we have concluded that the Proposed Transaction is **fair**.

10. Assessment as to Reasonableness

- 10.1 Prior to deciding whether to approve or reject the Proposed Transaction, the shareholders of First Au should also consider the following significant factors:
- In Section 9 of this report, we assessed the Proposed Transaction as being fair.
 - In Section 7.3 of this report, we analysed the share price of First Au before and after the announcement of the Proposed Transaction. We observed that there is evidence that the share market has not viewed the transaction as either favourable or unfavourable for the First Au shareholders.
 - First Au’s current and prioritised focus is on the exploration of the areas comprising the interests in the Company’s Gimlet Gold Project and the Victorian Goldfields Project. 8AU is proposed to hold other proximate and complimentary exploration assets to the Talga Project which may allow 8AU to focus geologically on the Talga Project and the surrounding area. Accordingly, if Shareholders approve the Proposed Transaction, the exploration activities of 8AU may provide a benefit to First Au whilst it continues to focus on its other exploration projects.
 - If Shareholders do not approve the Proposed Transaction, First Au will need to seek alternative funding to contribute to the exploration development of the Talga Project which may be on less favourable terms and may force First Au to reallocate cash resources and management efforts away from its other exploration projects. The MCD technical valuation report sets out the annual expenditure commitment of the Talga Project to be AU\$262,000 in order for First Au to maintain its holding in these assets (refer to Section 2.2 Tenure of the MCD report). Accordingly, if Shareholders do not approve the Proposed Transaction, First Au will be required to meet these expenditure commitments to maintain its ownership of the Talga Project. Based on First Au’s cash at bank of AU\$615,000 as reported in its September 2020 Quarterly Cashflow Report and the net cash raised under the Private Placement of approximately AU\$1.460 million (AU\$1,553,400 less 6% placement fee), we estimate that First Au currently has approximately AU\$2.0 million in cash resources.

- First Au has indicated that the recent capital raised under the Share Purchase Plan (AU\$280,000) and the Placement (AU\$1,553,400 before costs) is to be predominantly applied towards exploration work at its flagship Gimlet Gold Project and commencement of field activities at the Haunted Stream Gold Project within the Victorian Goldfields Project. Accordingly, if Shareholders do not approve the Proposed Transaction, First Au may be required to allocate cash resources towards the Talga Project in order to maintain its ownership of these assets and, as such, First Au may need to raise additional capital to cover the cash expenditure that it did not intend to spend on the Talga Project.
- There is a high degree of risk in entering into joint venture agreements as the obligations of the other parties may not be completed due to an incapacity to fulfill their contractual obligations and/or disagreements on exploration and development programs.
- Assuming exploration activities on the Talga Project are advanced and gold production is determined to be commercially viable, there is significant upside for First Au as it will retain a 20% interest in the Talga Project and will be free carried to decision to mine.
- If Shareholders approve the Proposed Transaction, First Au's interest in the Talga Project may be diluted.
- If Shareholders approve the Proposed Transaction, First Au may receive AU\$180,000 as a cash payment in respect of past expenditure incurred at the Talga Project. This will result in an immediate improvement to the cash resources of First Au.
- First Au has effectively provided 8AU with options to increase 8AU's interest in the Talga Project. Commercially 8AU will not exercise these options unless the preceding exploration yields encouraging results. First Au is effectively not receiving any consideration for providing these options.

10.2 Based on the above, we consider that the advantages of the Proposed Transaction outweigh the disadvantages of the Proposed Transaction, and for this reason, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of First Au.

11. **Assessment as to Fairness and Reasonableness**

After considering the above matters, we have concluded that the Proposed Transaction is **fair and reasonable to the Non-Associated Shareholders**.

12. Related Party – Financial Benefits

- 12.1 As explained in the Notice, the Directors of First Au have determined to seek shareholder approval for the purpose of Chapter 2E of the Act to avoid any doubt as to whether or not the financial benefit given is on an arm's length basis. In view of the above, we have prepared an assessment of the value of the financial benefit as if the arm's length exemption was not applicable.
- 12.2 Section 229(1)(c) of the Act states that in determining whether a financial benefit is given, the consideration that is given for the benefit (in this case an interest of up to 80% in the Talga Project), is to be disregarded. This means that the benefit given is equal to the value of the consideration paid, without taking into account the nature of the consideration.
- 12.3 In Table 3 of Section 7.6.1(a) of this report, we assessed the value of the Talga Project that First Au may dispose of at each stage under the Proposed Transaction. Accordingly, we have set out our assessment of the value of the financial benefit in the table below.

Table 5

First Au Limited Assessment of the financial benefit	Cumulative Interest	Low AU\$	Preferred AU\$	High AU\$
Stage 1	50.1%	325,650	480,960	661,320
Stage 2 Option	70.0%	455,000	672,000	924,000
Stage 3 Option	80.0%	520,000	768,000	1,056,000

Source: PKF Corporate analysis

- 12.4 It should be noted that the value of the Talga Project that First Au may dispose of under the Stage 2 Option and the Stage 3 Option is based on the current value of the Talga Project as assessed by MCD. The difficulty in assessing the financial benefit given under the Stage 2 Option and the Stage 3 Option is that they are contingent on the success of the committed expenditure towards exploration activities under Stage 1.

13. Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

13.1 PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorising it to provide general financial product advice in respect of securities to retail and wholesale investors.

13.2 Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate's independence of the Entity commissioning the report and other parties to the transactions.

PKF Corporate does not accept instructions from retail investors. PKF Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. PKF Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

13.3 General Financial Product Advice

In the report, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

13.4 Independence

At the date of this report, none of PKF Corporate, Mr Paul Lom, Mr Steven Perri nor Mr Stefan Galbo have any interest in the outcome of the Proposed Transaction, nor any relationship with First Au, 8AU and associated entities or any of their directors.

On 23 December 2020, PKF Corporate provided First Au and its advisers a full draft of this report. Subsequent to the issue of a full draft of this report, First Au and 8AU renegotiated the Stage 1 terms of the Joint Venture resulting in a change to the terms of the Proposed Transaction (refer to Section 2.1 of this report). As a result of the change to the Proposed Transaction, PKF Corporate altered the valuation of the consideration receivable by First Au and consequently this resulted in a change to the fairness conclusion formed. There were no alterations to the methodology by PKF Corporate.

Based on the initial Stage 1 terms of the Joint Venture (refer to Section 2.1 of this report), PKF Corporate assessed the value of the consideration being offered by 8AU to be AU\$249,700 (based on a 50.1% interest) and concluded that the Proposed Transaction was **not fair but was reasonable to the Non-Associated Shareholders** of First Au.

PKF Corporate and its related entities do not have any shareholding in or other relationship with First Au that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

PKF Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

PKF Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

13.5 Remuneration

PKF Corporate is entitled to receive a fee of approximately AU\$20,000 for the preparation of this report. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

13.6 Complaints Process

As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints should be in writing and sent to the Complaints Officer, PKF Corporate at level 12, 440 Collins Street, Melbourne VIC 3000.

PKF Corporate will make every effort to resolve a complaint within 45 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority – GPO Box 3, Melbourne VIC 3000.

Yours faithfully

PKF Melbourne Corporate Pty Ltd



Paul Lom
Director



Steven Perri
Director

First Au Limited**Sources of Information**

The key documents we have relied upon in preparing this report are:

- First Au's Interim Financial Report for the half year ended 30 June 2020;
- First Au's draft resolution relating to the Proposed Transaction for the purpose of the Notice of General Meeting and Explanatory Memorandum;
- MCD Geo Pty Ltd Independent Technical Specialist report dated 15 December 2020;
- Term Sheet in respect of the Joint Venture between First Au and 8AU dated 19 November 2020;
- Draft Farm-In and Joint Venture Agreement between First Au and 8AU dated December 2020;
- Research data from publicly accessible web sites in particular First Au's ASX announcements; and
- Discussions with the management of First Au.

First Au Limited**Declarations, Qualifications and Consents****1. Declarations**

This report has been prepared at the request of the Directors of First Au Limited pursuant to Chapter 10 of the ASX Listing Rules and Chapter 2E of the Corporations Act 2001 to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

2. Qualifications

Mr Paul Lom, director of PKF Corporate, and Mr Stefan Galbo, prepared this report. They have been responsible for the preparation of expert reports and are involved in the provision of advice in respect of valuations, takeovers, capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Fellow of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist) with more than 40 years of experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

Mr Galbo is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist). He has been responsible for the preparation of valuation reports relating to shares, businesses, options and performance rights and intellectual property for the purpose of acquisitions, divestments, litigation, taxation and capital reconstruction.

Mr Steven Perri, a director of PKF Corporate reviewed this report. Mr Perri is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

3. Consent

PKF Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.



TECHNICAL VALUATION OF

THE TALGA

GOLD/BASE METALS PROJECT

of

FIRST AU LIMITED

Job No.	20_12_M	MCD Geo Pty Ltd 25 Albion Street Surrey Hills VIC 3127 Tel +61 418 901 731
Doc No.	Talga ltr 20201215 Final	
Date:	January 2021	
Prepared by:	M Conan-Davies	

EXECUTIVE SUMMARY

PKF Melbourne Corporate Pty Ltd (PKF) has commissioned MCD Geo Pty Ltd (**MCD Geo**) to prepare an Independent Technical Report and Valuation Report (**Report**) of the Talga Gold/Base Metals Project Tenements (**Talga** or **Talga Project**) owned by First Au Limited (**FAU**).

FAU is proposing to enter into a Farm-in and Joint Venture Agreement over the Talga Project (**Proposed Transaction**) with 8 Au Limited (**8Au**), an Australian public exploration company intending to complete an IPO in early-mid 2021 based on this and other exploration projects in Western Australia. Under the Proposed Transaction, FAU proposes granting 8Au the right to earn-in up to an 80% interest in the tenements forming the Talga Project

FAU and 8Au have a majority of common directors and as such are considered related parties under the ASX listing rules and the Corporations Act 2001 (Cth). Accordingly, the Board of FAU has determined to seek shareholder approval for the purposes of the ASX listing rules (notably listing rules 10.1 and 11.4.1(b)) and chapter 2E and section 195(4) of the Corporations Act in connection with the disposal by FAU of up to an 80% interest in the Talga Projects to 8Au as a related party. To assist shareholders in making an informed decision on the fairness and reasonableness of the Proposed Transaction and to satisfy the requirements of the listing rules and Corporations Act an Independent Expert Report (**IER**) containing the opinion of an independent geologist as to the value of the Talga Project is required.

The Talga Project consist of seven 100% owned exploration licences in Western Australia:

EL 45/3679-I	EL 45/3857	EL 45/4137-I	EL 45/4615-I
EL 45/5571	EL 45/5595	EL 45/5596	-

A technical review was completed using the project data supplied by FAU that included: detailed tenement schedules, historical acquisition cost, exploration expenditure, technical reports relating to the assets and the conceptual exploration targeting strategy.

The Talga Projects were classified as a combination of “Early Stage” and “Advanced Exploration Stage” projects under the JORC 2012 and VALMIN 2015 guidelines for project description.

Valuation Opinion

The valuation prepared by MCD Geo is based on:

- a technical assessment of geological factors and exploration results, and
- a selection of market based and cost-based valuation methodologies including: the Prospectivity Enhancement Method, the Kilburn Geoscience Rating method, and Comparable transactions.

MCD Geo preferred technical value for the Talga assets is

\$960,000

Within the range of \$650,000 and 1,320,000

The valuation is effective as at 14th December, 2020. (Figures rounded to nearest \$1,000)



The valuation based on each methodology is shown below. The preferred valuation is the average of the three methods with the low, high, and preferred valuations highlighted.

Method	Total Valuation			Per Square km Valuation		
	Lo	Preferred	High	Lo	Pref	High
Geoscience Valuation	1,180,000	1,610,000	2,030,000	6,461	8,815	11,115
Comparable Transactions	260,000	520,000	940,000	1,424	2,847	5,147
Prospectivity Exploration Multiple	500,000	740,000	990,000	2,738	4,052	5,421
Preferred Valuation	650,000	960,000	1,320,000	3,541	5,238	7,227

Declaration & Consent

The information in this report that relates to Technical Assessment and Valuation of Mineral Assets reflects information compiled and conclusions derived by Michael Conan-Davies BSc(Hons) MSc, who is a (Chartered Practitioner Member of the Australasian Institute of Mining and Metallurgy.

Michael Conan-Davies has sufficient experience relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Practitioner as defined in the 2015 edition of the 'Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets'. Michael Conan-Davies consents to the inclusion in the report of the matters based on is information in the form and context in which it appears.

M Conan-Davies
Principal
MCD GEO PTY LTD

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	ii
1 INTRODUCTION.....	6
1.1 Commission and Scope.....	6
1.2 Applicability of the VALMIN Code and JORC Guidelines	6
1.2.1 Background.....	6
1.2.2 Commissioning Entity Confirmations.....	6
1.3 Independence, Qualifications and Experience	7
1.4 Disclaimer	7
2 TALGA PROJECT TECHNICAL SUMMARY	8
2.1 Project Location	8
2.2 Tenure	8
2.3 Geology	9
2.3.1 Regional Geology	9
2.3.2 Local Geology.....	10
2.3.3 Geophysics	11
2.3.4 Exploration History and Mining.....	12
2.3.5 Cord VMS Cu-Au prospect E 45/3679	12
2.3.6 Razorback Au	13
2.3.7 Other Prospects.....	14
3 VALUATION	15
3.1 Background.....	15
3.1.1 Mineral Asset Classification.....	15
3.1.2 Valuation Approaches	15
3.2 Market Approaches	16
3.2.1 Comparable JV & Sale Transactions.....	16
3.3 Cost Based Valuations	17
3.3.1 Historic Exploration Expenditure Method	17
3.3.2 Geoscience Factor Rating	19
4 VALUATION SUMMARY.....	22
5 References	23
6 Glossary	24

APPENDICES

Appendix 1 Comparable Transactions	24
Appendix 2 Kilburn Valuation Tables	25

TABLE INDEX

Table 2-1: Tenure Details – Talga Project.....	9
Table 2-2: Regional geology and historic gold workings location plan	9
Table 3-1 VALMIN Preferred Valuation Method by Project Status	16
Table 3-2: Talga Project Comparable Transaction Valuation	17
Table 3-3 Prospectivity Enhancement Multiplier (PEM) factors	18
Table 3-4 Exploration Expenditure Multiple Valuation	19
Table 3-5 Estimation of WA Base Acquisition Cost (BAC).....	20
Table 3-6 Geoscience Factor descriptions and ratings.....	21
Table 3-7: Geoscientific Valuation Talga Project Tenements	21
Table 4-1: Talga Properties – Technical Valuation Summary	22



FIGURE INDEX

Figure 2-1: Talga Joint Venture Tenure and Location Plan	8
Figure 2-3: Local Geology Plan & Prospects	11
Figure 2-4: Total Magnetic Intensity (TMI) image - Talga Properties.....	12



1 INTRODUCTION

1.1 Commission and Scope

PKF Melbourne Corporate Pty Ltd (PKF) has commissioned MCD Geo Pty Ltd (**MCD Geo**) to prepare an Independent Expert Report and Valuation Report (**Report**) of the Talga Project owned by First Au Limited (**FAU**).

This valuation report has been prepared in accordance with the “*Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets*”, also referred to as the VALMIN Code (2015).

The VALMIN Code 2015 defines a “Technical Value as “an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.”

A “Market Value” is defined within the VALMIN Code 2015 as the “the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion”. The Market Value may be higher or lower than Technical Value.

This report is a Technical Assessment Report as defined in the VALMIN 2015 Code and has also been prepared in accordance with the requirements of the Australian Securities and Investments Commission Regulatory Guides 111 (Australian Securities & Investments Commission, 2020) and 112 (Australian Securities Commission, 2015)

1.2 Applicability of the VALMIN Code and JORC Guidelines

1.2.1 Background

The VALMIN Code is prepared by the VALMIN Committee, a joint committee of the AusIMM (Australasian Institute of Mining and Metallurgy) and AIG (Australian Institute of Geoscientists) with the participation of the MICA (Minerals Industry Consultants Association) and other key stakeholder representatives.

1.2.2 Commissioning Entity Confirmations

In accordance with Clause 12.5 of VALMIN 2015 the Commissioning entity FAU has confirmed in writing that:

- full, accurate and true disclosure of all Material information has been made MCD Geo;
- all necessary access to the Commissioning Entity’s personnel and records has been granted;
- the integrity of the Practitioner and the conclusion of the Public Report has not been compromised.

Other relevant sections of the VALMIN Code are as follows:

- VALMIN Clause 6.3: Time and cost constraints must not compromise the fundamental principles and requirements of the VALMIN Code. Any restrictions negatively affecting the depth of analysis or the extent of detail required must be recorded in the Public Report.



- VALMIN Clause 6.3: MCD will receive a flat fee on usual commercial terms for completion of this report. The fee is independent of; the conclusions and valuation of the report and, the success or failure of the reason for which the report was commissioned.
- VALMIN Clause 11.1 Site visits were not made; however, FAU have made available all relevant and material documentation for project valuation and is therefore in compliance with the VALMIN 2015 Code.

1.3 Independence, Qualifications and Experience

MCD Geo Pty Ltd is an independent private consulting company which has been providing consulting services to the international and Australian mining industry since 2005. This valuation report has been prepared by Mr M. Conan-Davies.

Mr Conan-Davies is a Geologist and Mineral Economist, with over 30 years of experience in the mining industry and is a Member of the Australasian Institute of Mining and Metallurgy. Mr Conan-Davies does not have any pecuniary or beneficial interest in FAU or 8AU, or in the outcome of the valuation. Mr Conan-Davies is appropriately qualified and experienced to act in the following capacities:

- A Competent Person as defined in the JORC Code (2012).
- An Independent Expert as defined in the VALMIN 2015 Code & ASIC Reg Guide 111 and 112.

1.4 Disclaimer

This report was prepared using data and information which were available to MCD Geo at the time of writing. It is based on data provided which is understood (refer VALMIN CI 41(a) as discussed in Sec 1.2.2 above, to be suitably representative of the mineral properties and projects held by FAU and its subsidiaries. This report is provided for the use of PKF, and should only be reproduced, pending relevant consent by MCD Geo Pty Ltd, in whole and not in part.

2 TALGA PROJECT TECHNICAL SUMMARY

2.1 Project Location

The Talga Project is in East Pilbara / Marble Bar district of northern Western Australia, approximately 165km south east of the regional centre of Port Hedland on the Pilbara Coast and 35km north east of Marble Bar. Access to the tenements is from Marble Bar via the Marble Bar Road, Bamboo Creek Road and minor station tracks.

The land is used predominantly for pastoral activities. The Aboriginal representative body is the Yamatji Marlpa Aboriginal Corporation under the Nyamal Peoples #1 Native Title claim. The Land Manager for the purposes of working on the roadside reserves is the East Pilbara Shire.

The notable topographic features in the project area include the north east flowing Yadicooogina Creek - Talga River clearly seen flowing through the western margin of the tenement package and the Talga Peak (Figure 2-1).

Marble Bar has a very hot monsoonal climate with maximum average temperature ranging from 27°C to 42°C and average minimum temperature from 12°C to 26°C. Average annual rainfall of 390mm mostly during the wet season of December to March.

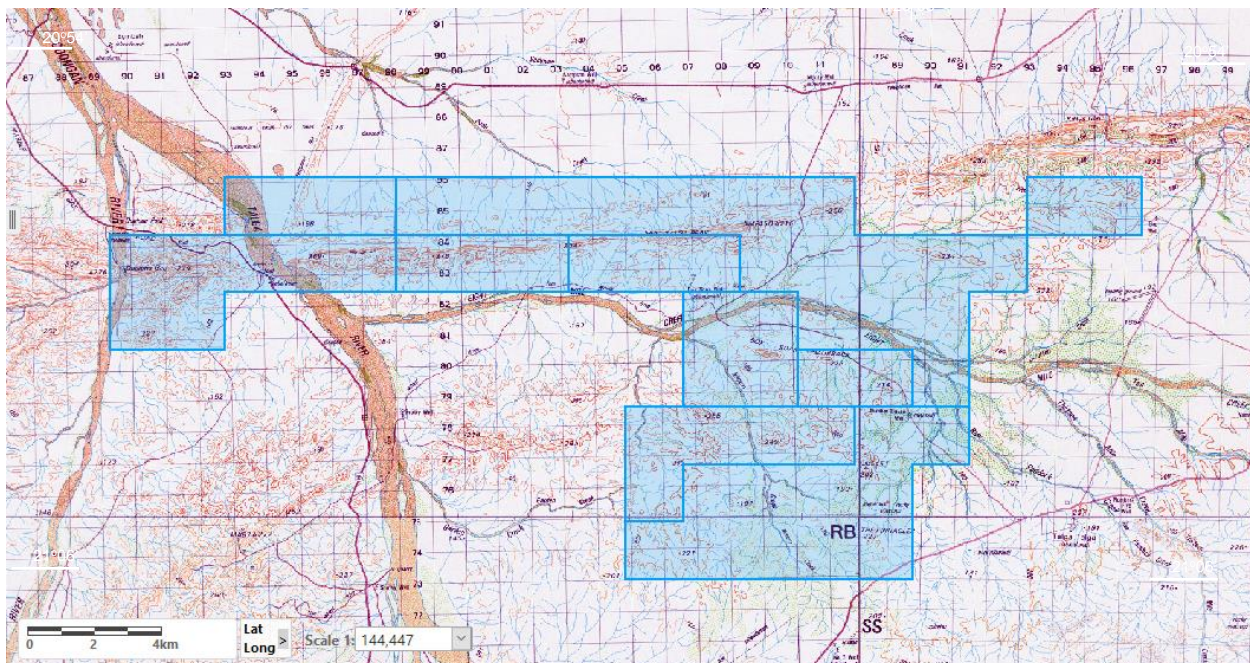


Figure 2-1: Talga Joint Venture Tenure and Location Plan (Tengraph, 2020)

2.2 Tenure

MCD Geo has obtained tenure information for the Talga Project from FAU and cross-checked with the WA Department of Mines, Industry Regulation and Safety - Tengraph portal to confirm

location and currency of tenements, however, no enquiries have been made regarding other encumbrances or whether tenure is in good standing. The Talga Project consist of the following 100% FAU owned tenements tabled below:

Tenement	Area (km ²)	Grant Date	Expiry Date	Licence Age	Expend Commitment
E 45/ 3857-I	22.4	11/02/2013	10/02/2023	7.8	70,000
E 45/ 4615-I	9.6	03/05/2016	02/05/2021	4.6	20,000
E 45/ 3679-I	76.9	12/06/2012	11/06/2022	8.5	72,000
E 45/ 4137-I	22.4	16/09/2013	15/09/2023	7.2	50,000
E 45/ 5571	35.2	31/03/2020	30/03/2025	0.7	20,000
E 45/ 5595	6.4	19/10/2020	18/10/2025	0.1	15,000
E 45/ 5596	9.6	11/02/2013	18/10/2025	7.8	15,000
Total Area	182.5		Avg Age	4.1	262,000

Table 2-1: Tenure Details – Talga Project

2.3 Geology

2.3.1 Regional Geology

The Talga Project is in the East Pilbara Terrain of the Pilbara Craton. The Talga Project covers an area of the Archaean Warrawoona and Gorge Creek Group where metamorphosed mafic, felsic, ultramafic rocks, and cherts occupy the arcuate eastern extension of the Marble Bar Greenstone Belt. This greenstone belt, which contains the South Muccan Shear Zone (SMSZ) and the western extension of the Bamboo Creek shear zone, is sandwiched between the Muccan and Mount Edgar Granitoid Complex of the Pilbara Craton. Within the project tenements there are gold, base metal, and iron prospects at various stages of exploration. Recently, the post-tectonic granites within the Mt Edgar Batholith have been recognised as being prospective for lithium.

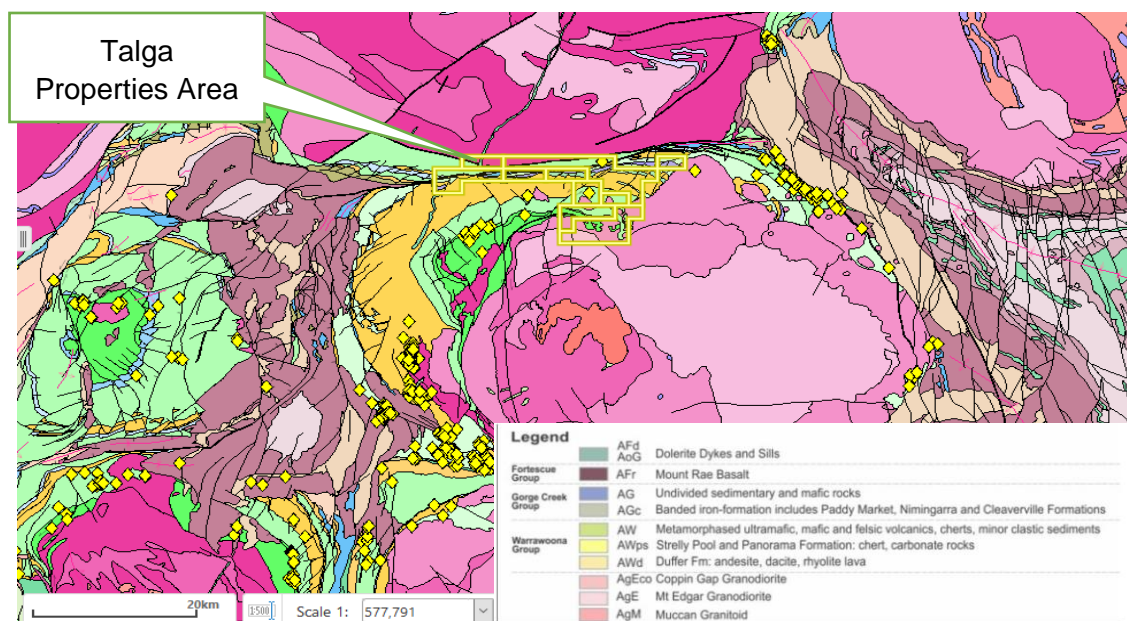


Table 2-2: Regional geology and historic gold workings location plan. (GeoView, 2020)



2.3.2 Local Geology

Outcrop exposure is generally very good except for heavy, talus scree slopes on some of the prominent chert ridges and the 8-Mile Creek drainage system that runs through the project area.

The project area is dominated by an east trending, metamorphosed greenstone and meta-sediment sequence, the Pilgangoora Greenstone Belt which consists of metamorphosed mafic and felsic volcanic rocks with minor sediments and intrusives. This sequence has been folded and structurally deformed by the emplacement of the Muccan and Mount Edgar Granitoid Complex to the north and south, respectively.

Regional tectonism and granite emplacement have resulted in strong tilting of the greenstone–metasediment sequence, typically dipping 60-80° to the north with evidence of thrust faulting, and possible sequence repetition. Regional metamorphism in the project area is low grade, except adjacent to the granitoid complexes, where it reached lower amphibolite facies metamorphism.

The Muccan Granitoid Complex (MGC) contact with the greenstone belt is very sharp, indicative of strong structural control contributing to the shape of this complex and locally described as the South Muccan Shear Zone (SMSZ).

The SMSZ is a 0.5 to 2.0-kilometre-wide zone of strong shearing within the greenstone sequence, parallel to the southern contact of the MGC. It is bound to the south by regionally prominent chert hills that form Talga Peak (geographical feature) immediately north of the Warrawagine Road. These cherts most likely represent a late-stage major thrust fault system. The greenstone sequence, north of these cherts is expressed as a 1 to 2-kilometre-wide easterly trending valley extending across the entire northern portion of the project. This valley contains the 15 kilometres of polymetallic gossanous exposures extending west from the Cord VMS Prospect.

To the south of Talga Peak, the predominantly mafic greenstone and meta-sediment sequences of rocks extend for a further 7-8 kilometre south to the Mount Edgar Granitoid Complex (MEGC).

The Razorback gold prospect is in the central portion of the project area, 2.5 kilometres south of the Warrawagine Road, along and adjacent to a prominent chert feature which hosts several small historical gold workings. The contact between the MEGC and Archaean Warrawoona Group rocks (metamorphosed mafic, felsic, ultramafic rocks and cherts) is sharply discordant. The contact zone is intruded by sparse, thin pegmatite and granitoid dykes.

The Eginbah Hematite prospects occur along a well-defined BIF unit mapped by the GSWA as an 'unassigned' member of the Archaean Gorge Creek Group. The unit is described by the GSWA (Coongan 100K sheet) as thinly bedded black, white, and red banded iron-formation interbedded with ferruginous chert. Where deformed it is described as "sheared cherty banded iron-formation, white chert and limonitic layers, weakly metamorphosed". The unit can be traced for over 10 kilometres within the project area and it is in places strongly deformed where it is caught up in the regionally extensive SMSZ described previously. The BIF is regarded as the along strike extension of the Nimingarra Iron Formation, the host rock for the Spinifex Ridge deposit. In places the BIF units occur as two distinct horizons, 50 to 100 metres wide, separated by an unmineralized chert or sandstone unit. From the air, the more hematite and ferruginous rich units are clearly defined with the mineralisation appearing to die out to the east even though the BIF units continue.

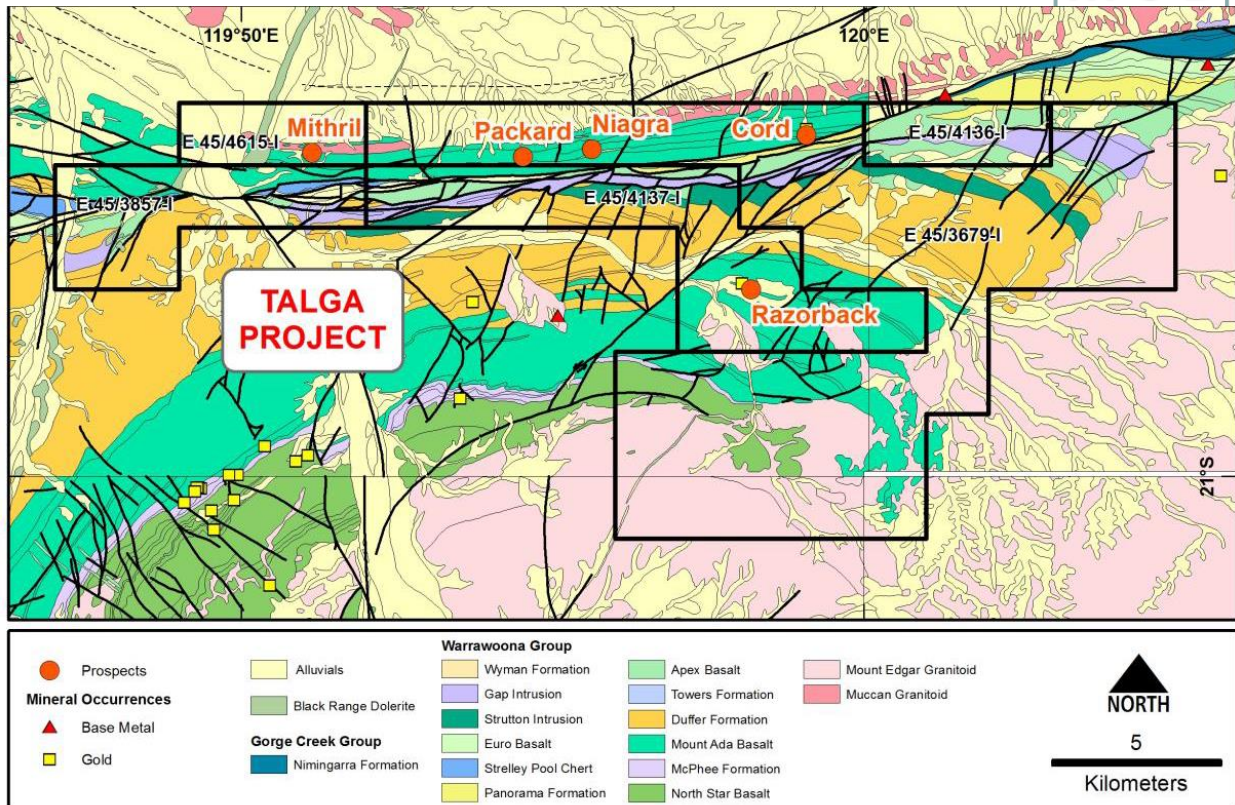


Figure 2-2: Local Geology Plan & Prospects (Ravensgate Mining Industry Consultants, 2017)

The Talga project area was historically explored for gold, base-metals, and tin, with more recent exploration for iron ore. Discoveries of gold, base metal and haematite mineralisation have been made. Several kilometres east of Talga, the Spinifex Ridge iron ore deposit is hosted in banded iron formation (BIF) of the Nimingarra Iron Formation, which extends into the Talga project area. The MINDEX database of the GWSA records 105 mineralised localities in the east west trending portion of the Pilbara supergroup.

2.3.3 Geophysics

Open-file aeromagnetic survey data sourced from the GSWA demonstrates correspondence of lithologies and structures from areas of known mineralisation into the exploration licence areas as shown in Figure 2-3.

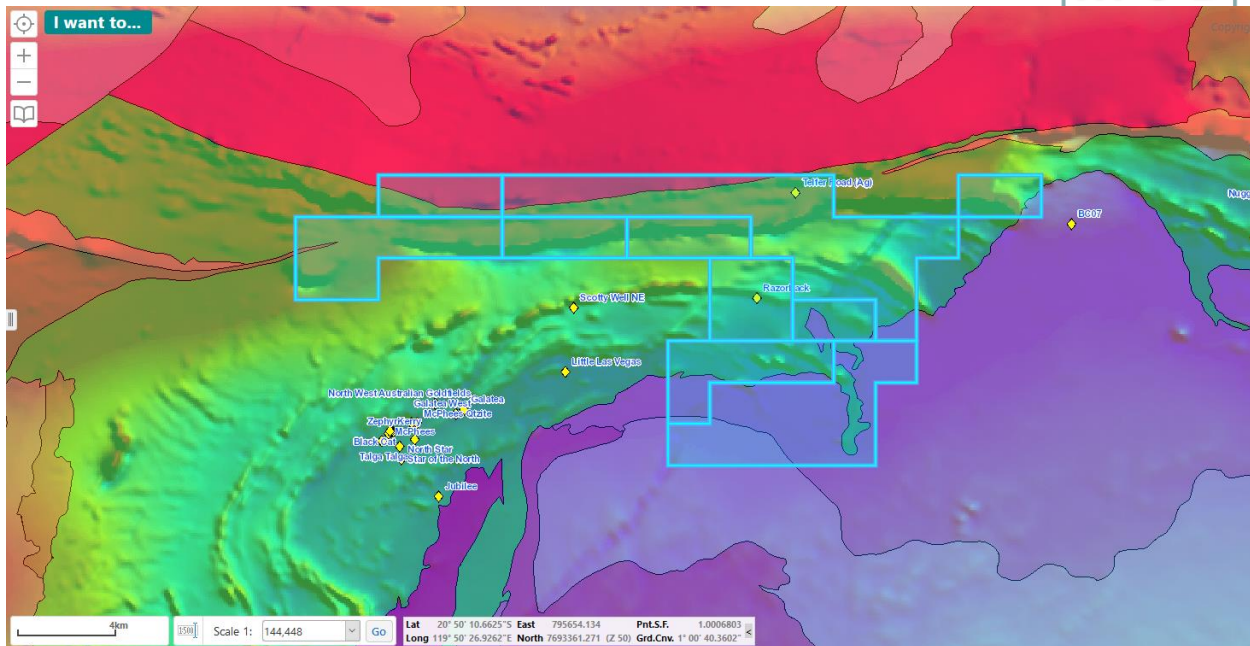


Figure 2-3: Total Magnetic Intensity (TMI) image - Talga Properties (GeoView, 2020)

2.3.4 Exploration History and Mining

A long history of detailed exploration for the Talga project area is recorded in the WAMEX database with a search recording over 100 open file reports of previous tenement holders. There are no historic mines in the project area. A summary of the exploration history is provided from reports prepared on behalf of First Au (Ravensgate Mining Industry Consultants, 2017).

1969 – 72	Anglo American undertook regional stream sediment sampling.
1969 – 70	Hawkestone undertook exploration of the ultramafics without success.
1975	Esso: Rock chipped and IP surveyed the Cord base metal prospect. A single drill hole intersected pyrite with low level base metals
1990's	Poseidon Exploration: explored old workings and detailed review of historic data
Late 1990's	Compass Resources: regional exploration, limited drilling at Razorback
2006 – 10	Oakover Gold undertook soil sampling aircore, RC drilling focussed in the Cord area. Down-hole EM of drilling in anomalous and remains untested
2009 – 13	Mithril Resources: Airborne VTEM, ground EM. RC drilling did not intersect sufficient sulphides to account for geophysical anomalism.
2012 – 13	Great Sandy: Eginbah Iron prospect BIF gold target

The Talga Project contains the Cord VMS copper-gold and Razorback gold discoveries; and both prospects have the potential to contain significant mineralisation.

2.3.5 Cord VMS Cu-Au prospect E 45/3679

The Cord base metal prospect was identified in the 1970's by mapping, soil, and rock chip sampling, followed by relatively shallow reconnaissance aircore drilling. It was later extensively explored by the Mining Projects Group between 2007 and 2012. Mineralisation is hosted in a



brecciated ferruginous chert band over a 15km strike length. and include minor prospects such as Packard and Niagara VMS prospects and the Mithril gold prospect shown in Figure 2-2. The mineral assemblage and sedimentary host sequence support the interpretation of a VMS style mineralisation. Surface sampling returned assays of up to 14.3% Cu and 12.9 g/t Au.

In 2006 a shallow aircore (128 holes for 3,863m) and RC follow up programme (26 holes for 3380m) returned anomalous results from multiple stacked sulphide lenses. 0.88 g/t Au (over 5 m), 22 g/t Ag (over 2 m) or 17 g/t Ag (over 10 m), 2.47% Cu, 0.19% Pb and 0.03% Zn.

In 2007 a downhole EM programme identified conductors beneath the current drilling at Cord, and identified 5 anomalies which were drill tested in 2008. Results confirmed the presence of enriched sulphide bands, sufficient to explain the geophysical anomalism but were of low economic grades.

Evidence from the down hole drill data (geology and geochemistry) suggests that the 2 km strike of mineralisation at Cord consists of multiple layers and lenses of various polymetallic, disseminated and semi massive sulphides over a stratigraphic width of up to 40 m. Significant intercepts from recent drilling at the Cord prospect include:

- 32m @ 11g/t Ag and 0.15% Cu from 148m
- 4m @ 0.28g/t Au, 32.5g/t Ag, 0.24% Cu and 0.25% Pb from 164m
- 4m @ 0.12g/t Au, 17.5g/t Ag and 0.47% Cu from 176m

MCD Geo considers that the geological data at Cord has been collected and followed-up to industry best practice. Anomalies which have been tested are validated against the underlying data. Upside remains in the untested anomalism.

2.3.6 Razorback Au

FAU recognise the Razorback gold prospect as the key exploration target at the Talga Project. The Razorback prospect is an orogenic lode gold target associated with multiple sulphidic breccia zones within a chert unit which crops out as a prominent ridge. The prospective banded iron-formation host is generally covered by scree, Rock chip samples from this unit have returned grades as high as 28.7 g/t Au. The prospect has been subject to significant exploration and is summarised below:

- Rock sampling along the chert ridge returned assays up to 11 g/t Au and 29 g/t Au from a mullock sample taken from the old Talga King pit.
- Soil sampling defined a gold in soil anomaly along the entire 3.7kms of the chert ridge.
- 49 aircore holes drilled of which 23 returned intercepts above 1 g/t.
- Three angled RC holes were drilled testing the best of the aircore intercepts and encouraging intersections were returned from all three RC holes up to 9m @ 1.12g/t Au.
- A well-defined, gold mineralised, shear zone running along the northern side of the Razorback Ridge was mapped and sampled returning a best grade of 7.89 g/t Au associated with the magnetic units (BIF) with known gold mineralisation.
- In 2018 FAU carried out an orientation soils survey over a portion of magnetic BIF yielding low level gold anomalism.
- In October 2020 FAU carried out an IP survey which follows the line of known mineralisation previously identified by old workings, soil geochemistry surveys and drilling. Whilst detail reporting of the results is pending, initial indication is positive.



- Most of the drilling occurs within a 700m strike length, leaving approximately 3km of the prospective chert ridge untested by drilling. The average hole depth is only 55m.
- Drilling remains open along strike and at depth.
- In 2020 FAU undertook a structural study of Razorback and concluded that mineralisation is related to a dextral shear zone and that a change of drill orientation in the next phase of drilling is required.

MCD Geo considers that the geological data at Razorback has been collected and followed-up to industry best practice. Anomalies which have been tested are validated against the underlying data. Upside remains in the untested 3km strike length of soil geochemistry anomalism, the results of the recent IP survey and testing of the new strike orientation for drilling.

2.3.7 Other Prospects

Rock chip sampling at the Eginbah Iron Prospect have recovered samples up to 60% Fe hematite over a 400m strike length. A limited 8-hole drill campaign was conducted in 2014 yielding 6 to 20m intersections of sub-economic 53% to 57% Fe with 7% to 13% SiO₂.

The Talga Project has been evaluated for lithium. The project is located to the north of the Moolyella tin field. Tin and lithium are often associated with pegmatites. At time of writing, FAU has not completed any lithium specific exploration results.



3 VALUATION

Valuation of mineral assets is not an exact science and a variety of approaches are possible, each with its advantages and disadvantages. While valuation is a subjective exercise, there are generally accepted procedures for establishing a mineral asset valuation. The VALMIN 2015 code requires that wherever possible a range of methods should be used.

The valuation is always presented as a range, with the preferred value identified, which may be the average, median or other intermediate price as determined by professional judgement.

3.1 Background

3.1.1 Mineral Asset Classification

The choice of valuation method applied to mineral assets depends on development stage of the project as defined by the VALMIN code and the amount and quality of data available at the time. The corresponding valuation methods used for each project are summarized in below. The VALMIN code classifies Mineral Assets according to development status and recommends valuation methodologies for each. The VALMIN Code mineral asset classifications are as follows:

Early-stage Exploration Projects – Tenure holdings where mineralisation may or may not have been identified, and where mineral resources have not been identified.

Advanced Exploration Projects – Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A mineral resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category;

Pre-Development Projects – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken;

Development Projects – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a PFS.

Production Projects – Tenure holdings – particularly mines, wellfields, and processing plants that have been commissioned and are in production.

3.1.2 Valuation Approaches

Three widely accepted valuation approaches are:

Market-based, which is based primarily on the notion of substitution. In this valuation approach the mineral asset being valued is compared with the transaction value of similar mineral assets under similar time and circumstance in an open market. A variety of market-based valuation approaches are available:

- a) Comparable sale transactions. What price did similar assets sell for?



- b) Comparable enterprise value. How much are companies holding similar assets worth?

Cost-based, which is based on the notion of cost contribution to value. In this valuation approach the costs incurred on the mineral asset are the basis of analysis. Cost-based approaches include

Sunk cost approach, where historic expenditure on “in-ground activities” are compiled and modified by a Project Expenditure Multiple (PEM) which multiplies or discounts the expenditure depending on the extent to which the work increased or decreased the value of the target.

Replacement cost approach, also known as the Geoscientific Factor Method or Kilburn Valuation method where the Base Acquisition Cost (BAC) of a tenement is then factored by a subjective assessment of the tenement prospectivity taking into account near mine prospectivity, geology, and geophysical/ geochemical anomalism and exploration results.

Income-based, which is based on the notion of cashflow generation. In this valuation approach the anticipated benefits of the potential income or cash flow of a mineral asset are analysed. Income-based valuation approaches include, but not limited to:

- a) Discounted cashflow
- b) Multiples of earnings.

The Talga Project assets are not sufficiently advanced to use any income-based valuation approaches.

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	Sometimes	Yes	Yes
Cost	Yes	Sometimes	No	No

Table 3-1 VALMIN Preferred Valuation Method by Project Status

3.2 Market Approaches

Three market-based valuation methods were applied to the Talga exploration assets:

- Comparable Joint-Venture terms and Sale transactions
- Geoscience factor method
- Project Expenditure Multiple method

3.2.1 Comparable JV & Sale Transactions

The Comparable Transactions valuation methodology estimates the value of exploration assets by comparing against sale or implied joint venture terms of similar projects on a transaction value per unit area of exploration licence. Valuation of mineral properties vary over time due to many factors including commodity price changes, risk appetite in the equity market, the application of new geological models and exploration techniques. The relative demand for exploration properties can also move on a regional basis due to local conditions. This is the case in Western Australia where there has been a strong demand for gold assets in 2020. To avoid time-lag effects and regional impacts on transactions, only transactions occurring in Western Australia in H2 2020 have been considered as reliable benchmarks of valuation. Only cash and near cash



consideration or exploration expenditure commitment is used for valuation purposes. Payment in shares are valued at the deemed valuation at the time of the transaction. Contingent payments which rely on achievement of development milestones are excluded. Royalties are also excluded. Transactions applied are listed in Appendix 1.

To be comparable transactions must satisfy the following selection criteria:

- Only transactions from June 2020 onwards
- Located in Western Australia
- Transaction between entities of similar commercial practice and means
- Cash or cash-equivalent consideration
- Not contain advanced exploration or pre-development projects.
- Primary exploration target is hard-rock gold.

The valuation of the Talga Project based on the comparable transactions listed in Appendix 1 is shown in Table 3-2 below. The valuation is estimated on whole-of-project basis.

Comparable Transaction	Valuation \$/km ²	Talga Project Valuation (183km ²)
Min	1,415	260,000
Median	2,840	520,000
Average	3,083	560,000
Max	5,156	940,000

Table 3-2: Talga Project Comparable Transaction Valuation

3.3 Cost Based Valuations

Cost-based valuation approaches rely on a review of the past exploration expenditure incurred on the mineral assets to be valued. The approach implies that a mineral asset's value is related to the money spent on its acquisition and exploration and the results generated. The two methods used in this valuation are: Historic exploration expenditure method, and the Geoscience Factor Rating (Kilburn) Method.

3.3.1 Historic Exploration Expenditure Method

The historic exploration expenditure method is the broadest application of the cost method and considers the historic effective exploration costs incurred in exploration of the tenement and applying a premium (or discount) multiple depending on the success (or failure) of the exploration completed to date. The Prospectivity Enhancement Multiplier (PEM) represents that premium.

The multiplier is a subjective assessment by the MCD Geo, however guidelines for the selection of PEM factors are well established (Onley, 2004). The PEM multiples applied in this valuation are shown in Table 3-3 below.

PEM	Criteria
0	Exploration past and present has confirmed off-target nature of terrain.
0.5	Exploration, (past & present) has downgraded the tenement 18significant18y, no mineralisation identified.
1.0	Exploration has maintained, rather than enhanced, prospectivity
1.3	Exploration has slightly enhanced, reinforced target conceptual model
1.5	Exploration has considerably increased 18significant18y. Requires positive indications geological mapping of gossan / alteration, geochemical anomalies, geophysical targets defined.
2.0	Scout drilling (RAB, aircore) has identified elevate intersections of mineralisation
2.5	Detailed drilling has defined targets with potentially economic grades
3	A JORC Exploration Target can be estimated – limited scope for expansion depth/strike constrained
4+	A JORC Exploration Target can be estimated – with scope for expansion. Inferred resource defined
N/A	Limited application of PEM method for projects with Inferred & Indicated Resources or better.

Table 3-3 Prospectivity Enhancement Multiplier (PEM) factors

MCD Geo has undertaken a high-level assessment of exploration work undertaken on the Talga Properties licence areas by FAU based on original acquisition cost of the Talga Project together with declared exploration expenditure as reported by FAU in statutory technical reports prepared by FAU and submitted to the mines department. The assessment and resultant valuation are shown in Table 3-4 below.



Ten No	Dev Stage	Lic. Age	Work done	Expend	PEM			Valuation A\$		
		Yrs		A\$	Lo	Pref	Hi	Lo	Pref	Hi
Talga Project Acquisition				325,000	1.0	1.3	2.0	325,000	422,500	650,000
E 45/3857	Early Expl	7.8	mapping, consteaining,	40,195	1.0	1.3	2.0	40,195	52,254	80,390
E 45/4615	Early Expl	4.6	targeting, field mapping, dump sampling	10,902	1.0	1.3	2.0	10,902	14,173	21,804
E 45/3679 Cord	Adv Expl	8.5	mapping, soils EM, drilling, aeromags	39,428	1.0	1.3	2.0	39,428	51,256	78,856
E 45/4137 Razorback	Adv Expl	7.2	mapping, soils EM, IP, drilling, aeromags	73,604	1.0	1.3	2.0	73,604	95,685	147,208
E 45/5571	Early Expl	0.7	desktop study	8,178	1.0	1.3	2.0	8,178	10,631	16,356
E 45/5595	Early Expl	0.1	desktop study	0	1.0	1.3	2.0			
E 45/5596	Early Expl	0.1	desktop study	0	1.0	1.2	1.3			
Total Expenditure				497,307						
PEM Valuation Range								500,000	740,000	990,000

Table 3-4 Exploration Expenditure Multiple Valuation

MCD Geo considered the following factors in determining the value ranges and preferred values of the exploration tenure:

- E 45/4137 (Razorback), and E 45/ 3679 have received the most exploration attention by both past explorers and FAU to date. Recent exploration results from IP survey warrant further work and has enhanced prospectivity
- E 45/ 5595 and E 45/5596 are recent acquisitions and have received little on-ground exploration attention and form part of FAU longer-term strategic landholding in the Warawoona Terrain.

3.3.2 Geoscience Factor Rating

The Geoscientific Factor method of valuation requires the consideration of geology-based factors which enhance or downgrade the underlying value of the property as an exploration asset. The method is widely applied in exploration asset valuation and is described in (Kilburn, 1990).

The valuation starts with an estimate of the average cost to identify, apply for, and retain a unit of exploration tenure referred to as the Base Acquisition Cost (BAC). The BAC is considered to be the minimum value of an exploration asset otherwise it would be relinquished.

The BAC for West Australian Exploration Licences is estimated from the following parameters:



Input	Unit	Value	Notes
Average Licence Size	km ²	25.7	Average size of Talga Licence
Average Licence Age	Years	4.1	Average age of Talga Licence
Annual Rent	A\$/km ²	190	Actual for mid-term tenement
Min Expend	A\$/km ²	1,167	Actual for mid-term tenement
Landowner Expenses	A\$/lic	10,000	Estimate of corporate costs
Local Govt Rates	A\$/lic	4,427	Average per licence
Application Fee	\$/lic	1,580	Actual for new tenements 2021
BAC	\$/km²	1,979	

Table 3-5 Estimation of WA Base Acquisition Cost (BAC)

The valuation is derived from the product of the BAC and the sum of the geoscientific assessment factors relating to each tenement. The factors considered are

- **off-property factor:** proximity to areas with demonstrated exploration merit.
- **on-property factor:** maturity of the project based on previous level of activity.
- **geological factor:** A measure of conceptually prospectivity, taking into account: difficulty in exploration – depth of cover, structural complexity and similarity with exploration conceptual models.
- **anomaly factor:** whether the project is known to contain mineral anomalism.

A description of the geoscientific factors applied in this valuation are shown in the table below

Rating	Off-property factor (Relative Location)	On-property factor (Maturity)	Anomaly factor (Success)	Geological factor (Prospectivity)
0.5	Very little chance of mineralisation	Very little chance of mineralisation	Extensive previous exploration with poor results	Generally unfavourable lithology. No alteration of interest
1.0	Exploration Model Support. Concept validated, Indications of prospectivity	Exploration Model Support. Concept validated, Indications of prospectivity	Extensive previous exploration with encouraging results. Regional targets	Deep cover; Generally favourable lithology/alteration (70%)
1.5	Reconnaissance drilling with scattered favourable results. Minor workings	Exploratory sampling with encouragement	Several early stage targets outlined from geochemistry and geophysics	Shallow cover; generally favourable lithology/alteration (50%-60%)
2.0	Several old workings. Significant RC drilling leading to advanced project	Several old workings; RC drilling with encouraging intersections	Several well-defined targets supported by drilling data	Exposed favourable Lithology / alteration
2.5	Abundant workings; grid drilling with encouraging results on adjacent sections	Abundant working. Core drilling after RC with encouragement	Several well-defined targets with encouraging drill results	Strongly favourable lithology, alteration



3.0	Mineral Resource areas defined	Advance resource definition drilling	Several significant targets. No 21 significant of size	Generally favourable lithology with structures along strike from a major mine
3.5	Abundant workings with significant historical production. Adjacent to mineralisation at PFS stage	Abundant workings with significant historical production. Mineral resource areas defined	Several significant sub economic target. Potential for significant "size". Early drill target	-
4.0	Along strike or adjacent to DFS Stage project	Along strike or adjacent to Resources at PFS Stage	Marginally economic targets of significant "size" advanced drilling	-
4.5	Adjacent to development stage project	Along strike or adjacent to DFS Stage project	Several significant correlateable intersections	-
5.0	Along strike from operating mine		Marginally economic targets of significant "size". Inferred Resources	

Table 3-6 Geoscience Factor descriptions and ratings after (Kilburn, 1990)

Tenement	Name	Area km ²	BAC	Sum of Factors		Valuation		
				Hi	Lo	Lo	Pref	Hi
E 45/3857	Talga 1	22	1,979	2	4	77,000	120,000	153,000
E 45/4615	Talga West	10	1,979	2	4	42,000	60,000	75,000
E 45/3679	Cord	77	1,979	5	8	676,000	900,000	1,126,000
E 45/4137	Razorback	22	1,979	5	8	197,000	260,000	328,000
E 45/5571	Talga Talga	35	1,979	1	3	86,000	140,000	189,000
E 45/5595	Talga 3	6	1,979	3	5	41,000	50,000	63,000
E 45/5596	Talga 4	10	1,979	3	5	61,000	80,000	94,000
Total		183				1,180,000	1,610,000	2,030,000
\$/km²						6,461	8,815	11,115

Table 3-7: Geoscientific Valuation Talga Project Tenements



4 VALUATION SUMMARY

MCD Geo has calculated a technical value for the Talga Project exploration assets of FAU. We have used a combination of market and cost methods including: Comparable Transactions, Project Expenditure Multiples and Geoscientific Factors for the valuation.

The technical valuation ranges that were calculated for each project are summarized in Table 4-1 below, ranked from highest to lowest preferred value for each valuation method. Preferred ranges are highlighted in green. Focussing on the preferred values and methods shaded in green the valuation of the Talga Properties is between \$0.65M and \$1.32 M or \$3,541 to \$7,227 per km².

Method	Total Valuation			Per Square km Valuation		
	Lo	Preferred	High	Lo	Pref	High
Geoscience (Kilburn)	1,180,000	1,610,000	2,030,000	6,461	8,815	11,115
Prospectivity Expenditure Multiple	500,000	740,000	990,000	2,738	4,052	5,421
Comparable Transactions	260,000	520,000	940,000	1,424	2,847	5,147
Preferred Valuation	650,000	960,000	1,320,000	3,541	5,238	7,227

Table 4-1: Talga Properties – Technical Valuation Summary

MCD Geo preferred technical value for the Talga assets

\$0.96 M

Within the range of \$0.65M and \$1.32M



5 REFERENCES

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6 GLOSSARY

Aeromagnetic	An air-borne survey undertaken to recording magnetic characteristics of rocks
Alluvial	Pertaining to silt, sand and gravel material, transported and deposited by a river.
Alluvium	Clay silt, sand, gravel, or other rock materials transported by flowing water and deposited in comparatively recent geologic
Alteration	The change in the mineral composition of a rock, commonly due to hydrothermal activity.
Anomalies	An area where exploration has revealed results higher than the local background level.
Antiformal	An anticline-like structure.
Archaean	The oldest geological eon approx. 4 billion year old and the oldest rocks in the Pilbara
Assayed	The testing and quantification metals of interest within a sample.
Au	Chemical symbol for gold.
Bedrock	Any solid rock underlying unconsolidated material.
BIF	Banded Iron Formation. A sedimentary rock composed of bands of micro-crystalline quartz (chert) and iron oxides, usually hematite
Chert	Microcrystalline quartz usually associated with sedimentary rocks
Dolerite	A medium grained mafic intrusive rock
Felsic	An adjective indicating that a rock contains abundant feldspar and silica.
Foliated	Banded rocks, usually due to crystal differentiation as a result of metamorphic processes.
Follow-up	A term used to describe more detailed exploration work over targets generated by regional exploration.
g/t	Grams per tonne, a standard volumetric unit for demonstrating the concentration of precious metals in a rock.
Gabbro	A fine to coarse grained, dark coloured, igneous rock composed mainly of calcic plagioclase, clinopyroxene and sometimes olivine.
Geochemical	Pertains to the concentration of an element.
Geophysical	Pertains to the physical properties of a rock mass.
Granite / Granodiorite	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas.
Greenstone	variably metamorphosed mafic to ultramafic volcanic sequences with associated sedimentary rocks
Gossan	intensely oxidized, weathered or decomposed rock, indicative of original sulphide minerals
GSWA	Geological Survey of Western Australia
Hematite	Iron Oxide mineral, principal ore of iron ore
Igneous	Rocks that have solidified from magma.



Infill sampling	Refers to sampling or drilling undertaken between pre-existing sample points.
Intrusions	A body of igneous rock which has forced itself into pre-existing rocks.
Mt	Million Tonnes.
Porphyries	Intrusive or sub-volcanic rock with larger crystals set in a fine groundmass.
Ppb	Parts per billion; a measure of low level concentration.
Proterozoic	An era of geological time spanning the period from 2,500 million years to 570 million years before present.
Regolith	The layer of unconsolidated material which overlies or covers in situ basement rock.
Residual	Soil and regolith which has not been transported from its point of origin.
Schist	A crystalline metamorphic rock having a foliated or parallel structure due to the recrystallisation of the constituent minerals.
Shale	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
Shear zone	An area where rocks have undergone lateral movement resulting in fracturing and potential fluid movement
Sills	Sheets-like layer of igneous rock which is flat lying or has intruded parallel to bedding planes of sedimentary rocks.
Silts	Fine-grained sediments, with a grain size between those of sand and clay.
Soil sampling	The collection of soil specimens for mineral analysis.
Strata	Sedimentary rock layers.
Stratigraphic	Composition, sequence and correlation of stratified rocks.
Strike	Horizontal direction or trend of a geological structure.
Sulphide	A general term to cover minerals containing sulphur and commonly associated with mineralisation.
Talus	Rock scree at the base of a topographic high that covers the underlying bedrock
Tectonic	The forces involved in or the resulting structures of movement in the Earth's crust.
Veins	A thin infill of a fissure or crack, commonly bearing quartz.
VALMIN 2015	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets
VM(H)S	Volcanogenic Massive (Hosted) Sulphide. A type of metal sulphide ore deposit, associated with volcanic settings in submarine environments.



APPENDIX 1

Comparable Transactions

COMPARABLE TRANSACTIONS - TALGA PROJECT														
Date	Project	State	Area km2	Stage	Resources Inferred	Buyer	Seller	Main Commodity	Transaction Type	Interest	Transaction Value			Value
											Cash	Shares	Total	\$/km2
										%	A\$	A\$	A\$	
												100%		
26/11/2020	Crackerjack	WA	16	Adv Expl	NIL	White Cliff	Private	Au	Cash	100%	30,000		30,000	1,875
16/11/2020	Merolia	WA	156.86	Adv Expl	NIL	Panther Metals PLC	White Cliff	Au	Cash & Shares	100%	112,500	161,500	274,000	1,747
24/11/2020	Ragged Range	Pilbara	82.8	Adv Expl	NIL	Thor Mining PLC	Redstone Metals	Au	Cash & Shares	100%	0	250,000	250,000	3,019
13/10/2020	Pacton Gold	Pilbara	823	Expl	NIL	Raiden	Pilbara Gold Corp	Au, Ni, PGE	Cash & Shares	85%	1,052,632	1,686,376	2,739,008	3,915
8/10/2020	Reedy South	WA	154	Res Deft	NIL	White Cliff	Vendors	Au	Cash & Shares	100%	400,000	300,000	700,000	4,545
22/09/2020	Thunderstruck	WA	168.14	Expl	NIL	Carawine	Thunderstruck Inves	Au	Shares	90%		250,000	250,000	1,652
14/09/2020	Kookynie	WA	6	Expl	NIL	Carnavale	Duane Briggs	Au	Cash & Shares	100%	10,000	18,000	28,000	4,667
25/08/2020	Monument	WA	310	Expl	NIL	Six Sigma	DiscovEx	Au	Cash Options	100%	825000		825,000	2,661
14/08/2020	Pincunah & Jimb	Pilbara	265	Expl	NIL	Trek	ACME Pilbara	Au	Cash and Shares	100%	175000	200,000	375,000	1,415
30/07/2020	Mt Maitland	WA	62	Expl	NIL	Red Mountain	Simon Jones	Au	Cash	100%	300,000		300,000	4,839
28/07/2020	Bronzwing North	WA	50	Expl	NIL	Hammer Metals	Alloy Resources	Au	Cash	100%	25,000	50,000	75,000	1,500
16/07/2020	Triumph	WA	128	Expl	NIL	Gibb River Diamonds	Nexus Minerals	Au	Cash and Shares	100%	440,000	220,000	660,000	5,156

Ref: (Australian Securities Exchange, 2020)

**FIRSTAU****First Au Limited**

ACN 000 332 918

IMPACT OF COVID-19

At the date of the Notice, due to restrictions as a result of COVID-19, the Company will not be convening the Meeting physically. While the situation remains volatile and uncertain, based on the information available to the Board at the time of the Notice, the Company intends to conduct the Meeting virtually as set out in the Notice. Please see the accompanying Notice for more information including how to register to attend the Meeting.

LODGE YOUR VOTE**ONLINE**www.linkmarketservices.com.au**BY MAIL**

First Au 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

**X999999999999****PROXY FORM**

I/We being a member(s) of First Au 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 General Meeting of the Company to be held at **11:00am (AEDT) on Tuesday, 2 March 2021 virtually by teleconference (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** Approval for entry in to Farm-In and Joint Venture

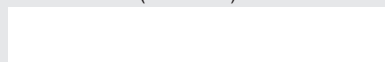
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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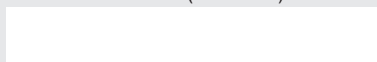
* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

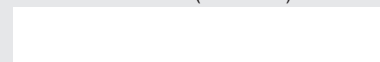
Shareholder 1 (Individual)



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).

FAU PRX2101A

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:

- (a) 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
- (b) 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 appointed the appropriate "Certificate of Appointment of Corporate Representative" must 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.

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 **11:00am (AEDT) on Sunday, 28 February 2021**, 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

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).



BY MAIL

First Au 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 GENERAL MEETING,
PLEASE FOLLOW THE INSTRUCTIONS IN THE NOTICE.