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**Iatia Limited**  
**ACN 091 608 025**

**Notice of 2015 Annual General Meeting and  
Explanatory Memorandum and  
Independent Expert's Report and  
Proxy Form**

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**The 2015 Annual General Meeting of the Company will be  
held at RSM Australia, Level 21, 55 Collins Street Melbourne  
Victoria 3000 on Thursday 17 December 2015 at 11.00 am  
(Melbourne time)  
(General Meeting)**

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

*Hall Chadwick has prepared the Independent Expert's Report and has provided an  
opinion that it believes the Transaction is fair and reasonable to the Shareholders  
not associated with the Vendors. It is recommended that all Shareholders read the  
Independent Expert's Report in full.*

# Iatia Limited

## Notice of General Meeting

**Notice is hereby given** that the 2015 Annual General Meeting of Shareholders of Iatia Limited (**Company**) will be held at RSM Australia, Level 21, 55 Collins Street, Melbourne Victoria 3000 at 11.00 am (Melbourne Time) (**General Meeting**).

The Explanatory Memorandum to this Notice of Annual General Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum and Proxy Form are part of this Notice of Annual General Meeting.

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1.

## Agenda

### **1. Resolution 1 – Consolidation of Share Capital**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional upon the passing of all other Resolutions set out in this Notice, and for the purposes of section 254H of the Corporations Act, the Constitution, and for all other purposes, the issued capital of the Company be consolidated through the conversion of every 222 Shares into 1 Share and that any resulting fractions of a Share be rounded up to the nearest whole number of Shares to take effect in accordance with the timetable set out in the Explanatory Memorandum.”*

### **2. Resolution 2 – Change in Nature and Scale of the Company’s Activities**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all other Resolutions set out in this Notice, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, the acquisition of all of the issued shares in the Freehill Investments Pty Ltd (“Freehill”) and the proposed significant change in the nature and scale of the Company’s activities as set out in the Explanatory Memorandum is approved.”*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any Associates of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### **3. Resolution 3 - Issue of Shares to Mangion Related Vendor**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all Resolutions set out in this Notice, for the purposes of item 7 of section 611 and ASX Listing Rule 10.11 and for all other purposes, approval be and is hereby given to the issue of 3,500,000 Consideration Shares at a deemed issue price of \$0.10 to the Mangion Related Vendor, as part consideration for the Company acquiring 100% of the issued capital of Freehill, and for the acquisition by the Mangion Related Vendor of a Relevant Interest (details of which are set out in Annexure B to the Explanatory Memorandum) in the New Shares to be issued to it as contemplated by this Resolution, further details of which are contained in the Explanatory Memorandum.”*

The references in this Resolution to Consideration Shares are references to that number of Shares after the Share Consolidation occurs pursuant to Resolution 1.

Under ASX Listing Rule 7.2 (Exception 16) Shareholder approval for the issue of Shares under ASX Listing Rule 7.1 is not required where Shareholder approval is obtained under item 7 of section 611 of the Corporations Act. Further, Listing Rule 7.2 (Exception 14) states that approval pursuant to Listing Rule 7.1 is not required if Shareholder approval is obtained under Listing Rule 10.11. Accordingly, Shareholders should note that if this Resolution is passed, the approval of Shareholders is not required under Listing Rule 7.1.

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any person who may receive Consideration Shares, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any Associates of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### **4. Resolution 4 - Issue of Shares to the Other Vendors**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all Resolutions set out in this Notice, for the purposes of item 7 of section 611 and for all other purposes, approval be and is hereby given to the issue of 533,500,000 Consideration Shares at a deemed issue price of \$0.10 to the Vendors, as part consideration for the Company acquiring 100% of the issued capital of Freehill, and for the acquisition by the Vendors of respective Relevant Interests (details of which are set out in Annexure B to the Explanatory Memorandum) in the New Shares to be issued to them as contemplated by this Resolution 4, further details of which are contained in the Explanatory Memorandum.”*

The references in this Resolution to Consideration Shares are references to that number of Shares after the Share Consolidation occurs pursuant to Resolution 1.

Under ASX Listing Rule 7.2, exception 16, Shareholder approval for the issue of Shares under ASX Listing Rule 7.1 is not required where Shareholder approval is obtained under item 7 of section 611 of the Corporations Act. Accordingly, Shareholders should note that if this Resolution is passed, the approval of Shareholders is not required under Listing Rule 7.1.

## **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any person who may receive Consideration Shares, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any Associates of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **5. Resolution 5 – Issue of New Shares pursuant to Capital Raising**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all other Resolutions set out in this Notice, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval be and is hereby given to the issue of up to 50,000,000 New Shares at an issue price of \$0.10 per New Share to raise up to \$5,000,000 under a Prospectus, further details of which are contained in the Explanatory Memorandum.”.*

The reference in this Resolution to 50,000,000 Shares is a reference to that number of Shares after the Share Consolidation occurs pursuant to Resolution 1.

## **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue of New Shares, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any of the Associates of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **6. Resolution 6 - Issue of Shares to Service Provider in lieu of fees**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all other Resolutions set out in this Notice, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue and allotment of up to 1,420,000 Shares to the Service Provider as set out in the Explanatory Memorandum is approved.”*

The reference in this Resolution to 1,420,000 Shares is a reference to that number of Shares after the Share Consolidation occurs pursuant to Resolution 1.

## **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by the Service Provider and any Associate of the Service Provider. However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the

directions on the Proxy Form; or

- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **7. Resolution 7 – Change of Company Name**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as a special resolution:

*“That, subject to and conditional on the passing of all other Resolutions set out in this Notice, the name of the Company be changed from “Iatia Limited” to “Freehill Mining Limited”.”*

This Resolution is a special resolution and can only be passed if at least 75% of the votes cast, in person or by proxy, attorney or representative, by members who are entitled to vote on the resolution, are voted in favour.

## **8. Resolution 8 - Issue of Shares to Directors in lieu of fees**

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### **8A Resolution 8A – Issue of Shares to Mr Ray Mangion in lieu of Directors’ fees**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholder approval is given for the Company to issue 500,000 Shares to Mr Ray Mangion or his nominee(s, in lieu of Director’s fees, on the terms set out in the Explanatory Memorandum accompanying this Notice.”*

### **8B Resolution 8B – Issue of Shares to Mr Stephen Chaplin in lieu of Directors’ fees**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholder approval is given for the Company to issue 500,000 Shares to Mr Stephen Chaplin or his nominee(s, in lieu of Director’s fees, on the terms set out in the Explanatory Memorandum accompanying this Notice.”*

### **8C Resolution 8C – Issue of Shares to Mr Paul Davies in lieu of Directors’ fees**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholder approval is given for the Company to issue 1,000,000 Shares to Mr Paul Davies or his nominee(s, in lieu of Director’s fees, on the terms set out in the Explanatory Memorandum accompanying this Notice.”*

### **8D Resolution 8D – Issue of Shares to Mr Nicholas Kapes in lieu of Directors’ fees**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholder approval is given for the Company to issue 1,000,000 Shares to Mr Nicholas Kapes or his nominee(s, in lieu of Director’s fees, on the terms set out in the Explanatory Memorandum accompanying this Notice.”*

The references in Resolutions 8A – 8D to Shares are a reference to that number of Shares after the Share Consolidation occurs pursuant to Resolution 1.

### **Voting Exclusion**

The Company will disregard any votes cast on Resolutions 8A – 8D by the Directors (in any capacity, whether as proxy or as shareholders) and by any of the following persons:

- (a) Key Management Personnel; and
- (b) Closely Related Parties of Key Management Personnel.

However, the Company need not disregard a vote if it is:

- (c) cast by a person as a proxy appointed in accordance with the directions of the proxy form that specifies how the proxy is to vote on the Resolutions; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above; or
- (d) cast by the chair of the Meeting as proxy appointed in accordance with the directions of the proxy form for a person who is entitled to vote, and such appointment on the proxy form expressly authorises the chair to exercise the proxy even if the resolution is connected directly with the remuneration report; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above.

## **9. Resolution 9 – Appointment of Juan Enrique Dagach as Director**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all other Resolutions set out in this Notice, and in accordance with the Constitution, and for all other purposes, Mr Juan Enrique Dagach, having provided conditional consent to act and be appointed as a Director of the Company from completion of the Proposed Transaction, be elected as a director of the Company with effect from completion of the Proposed Transaction.”*

## **10. Resolution 10 – Approval of issue of Conversion Shares**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all other Resolutions set out in this Notice, and for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 6,675,318 Conversion Shares to the lenders of convertible loans on such terms as more particularly described in the Explanatory Memorandum accompanying this Notice.”*

The reference in this Resolution to 6,675,318 Conversion Shares is a reference to that number of Shares after the Share Consolidation occurs pursuant to Resolution 1.

### **Voting Exclusion**

The Company will disregard any votes cast on this resolution by:

- (a) the lenders of the convertible loans and their nominee(s);
- (b) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this resolution is passed; and
- (c) any associates of the persons named in sub-paragraphs (a) and (b).

However, the Company will not disregard a vote if it is cast by:

- (d) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (e) the chair of the meeting as proxy for a person entitled to vote, in accordance with a direction on a proxy form to vote as the proxy decides.

## **11. Item 11 – Financial and related reports**

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To receive and consider the Financial Report of the Company and its controlled entities and the related Directors' and Auditor's Reports in respect of the financial year ended 30 June 2015.

## **12. Resolution 12 – Adoption of Remuneration Report (Non-binding resolution)**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That the Remuneration Report for the financial year ended 30 June 2015 included in the Directors' Report, which is attached to the Financial Statements as required under section 300A of the Corporations Act, be adopted by the Company.”*

### **Voting Exclusion**

The Company will disregard any votes cast on this resolution (in any capacity, whether as proxy or as shareholders) by any of the following persons:

- (a) Key Management Personnel; and
- (b) Closely Related Parties of Key Management Personnel.

However, the Company need not disregard a vote if it is:

- (a) cast by a person as a proxy appointed in accordance with the directions of the proxy form that specifies how the proxy is to vote on Resolution 11; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above; or
- (b) cast by the chair of the Meeting as proxy appointed in accordance with the directions of the proxy form for a person who is entitled to vote, and such appointment on the proxy form expressly authorises the chair to exercise the proxy even if the resolution is connected directly with the remuneration report; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above.

## **13. Resolution 13 – Election of Mr Ray Mangion as a Director**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That Mr Ray Mangion, having been appointed as a Director on 24 March 2015 to fill a casual vacancy to the Board, retires as a Director of the Company in accordance with ASX Listing Rule 14.4 and for all other purposes, and being eligible, having offered himself for election, be elected as a Director of the Company.”*

### **Voting Exclusion**

Not applicable.

#### **14. Resolution 14 – Election of Mr Paul Davies as a Director**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That Mr Paul Davies, having been appointed as a Director on 24 March 2015 to fill a casual vacancy to the Board, retires as a Director of the Company in accordance with ASX Listing Rule 14.4 and for all other purposes, and being eligible, having offered himself for election, be elected as a Director of the Company.”*

##### **Voting Exclusion**

Not applicable.

#### **15. Resolution 15 – Election of Mr Nicholas Kapes as a Director**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That Mr Nicholas Kapes, having been appointed as a Director on 14 April 2015 to fill a casual vacancy to the Board, retires as a Director of the Company in accordance with ASX Listing Rule 14.4 and for all other purposes, and being eligible, having offered himself for election, be elected as a Director of the Company.”*

##### **Voting Exclusion**

Not applicable.

#### **16. Resolution 16 – Election of Mr Stephen Chaplin as a Director**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That Mr Stephen Chaplin, having been appointed as a Director on 3 August 2015 to fill a casual vacancy to the Board, retires as a Director of the Company in accordance with ASX Listing Rule 14.4 and for all other purposes, and being eligible, having offered himself for election, be elected as a Director of the Company.”*

##### **Voting Exclusion**

Not applicable.

**By order of the Board of Iatia Limited:**



**Sophie Karzis**

Company Secretary

Dated: 18 November 2015



## Explanatory Memorandum

The accompanying Explanatory Memorandum forms part of this Notice of Annual General Meeting and should be read in conjunction with it.

Resolutions 1 to 10 (inclusive) are subject to and conditional on each of those resolutions being passed. Accordingly, the resolutions should be considered collectively as well as individually.

Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used in this notice of Annual General Meeting and the Explanatory Memorandum.

## Questions from Shareholders

In order to provide an equal opportunity for all Shareholders to ask questions of the Board, we ask you to submit in writing any questions to the Company or to the Company's auditor, RSM Australia Partners, in relation to the conduct of the external audit for the year ended 30 June 2015, or the content of its audit report. Please send your questions to:

The Company Secretary, **latia Limited**  
Level 1, 61 Spring Street, Melbourne VIC 3000  
T. 03 9286 7500  
F. 03 9662 1472  
E. [sk@ccounsel.com.au](mailto:sk@ccounsel.com.au)

Written questions must be received by no later than 5.00 pm (Melbourne time) on Friday 11 December 2015.

Your questions should relate to matters that are relevant to the business of the Annual General Meeting, as outlined in this Notice of Meeting and Explanatory Memorandum.

In accordance with the *Corporations Act 2001* (Cth) and the Company's policy, a reasonable opportunity will also be provided to Shareholders attending the Annual General Meeting to ask questions about, or make comments upon, matters in relation to the Company including Remuneration Report.

During the course of the Annual General Meeting, the Chairman will seek to address as many Shareholder questions as reasonably practicable, and where appropriate, will give a representative of the auditor the opportunity to answer written questions addressed to it. However there may not be sufficient time to answer all questions at the Annual General Meeting. Please note that individual responses may not be sent to Shareholders.

## VOTING INFORMATION

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### Voting by proxy

- (a) A Shareholder entitled to attend and vote at the Annual General Meeting may appoint one proxy or, if the Shareholder is entitled to cast 2 or more votes at the meeting, 2 proxies, to attend and vote instead of the Shareholder.
- (b) Where 2 proxies are appointed to attend and vote at the meeting, each proxy may be appointed to represent a specified proportion or number of the Shareholder's voting rights at the meeting.
- (c) A proxy need not be a Shareholder of the Company.
- (d) A proxy may be an individual or a body corporate. If a body corporate is appointed, the proxy form must indicate the full name of the body corporate and the full name or title of the individual representative of the body corporate for the meeting.
- (e) A proxy form accompanies this notice. If a Shareholder wishes to appoint more than 1 proxy, they may make a copy of the proxy form attached to this notice. For the proxy form to be valid it must be received together with the power of attorney or other authority (if any) under which the

form is signed, or a (notarially) certified copy of that power of authority **by 11.00 am (Melbourne time) on Tuesday 15 December 2015:**

- by post at GPO Box 242, Melbourne, Victoria 3001; or
- by personal delivery at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067; or
- by facsimile: Australia – 1800 783 447, overseas - +61 3 9473 2555; or
- Custodian voting - For Intermediary Online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

### **Voting and other entitlements at the Annual General Meeting**

A determination has been made by the Board of the Company under regulation 7.11.37 of the *Corporations Regulations* 2001 that shares in the Company which are on issue at **7.00pm (Melbourne time) on Tuesday 15 December 2015** will be taken to be held by the persons who held them at that time for the purposes of the Annual General Meeting (including determining voting entitlements at the meeting).

### **Proxy voting by the Chair**

The *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act* 2011 (Cth), imposes prohibitions on Key Management Personnel and their Closely Related Parties from voting their shares (or voting undirected proxies) on, amongst other things, remuneration matters.

However, the chair of a meeting may vote an undirected proxy (i.e. a proxy that does not specify how it is to be voted), provided the shareholder who has lodged the proxy has given an express voting direction to the chair to exercise the undirected proxy, even if the resolution is connected with the remuneration of a member of Key Management Personnel. If you complete a proxy form that authorises the Chair of the Meeting to vote on your behalf as proxy, and you do not mark any of the boxes so as to give him directions about how your vote should be cast, then you will be taken to have expressly authorised the Chair to exercise your proxy on Resolutions 8A – 8D (inclusive) and Resolution 12. In accordance with this express authority provided by you, the Chairman will vote in favour of Resolutions 8A – 8D (inclusive) and Resolution 12. If you wish to appoint the Chair of the Meeting as your proxy, and you wish to direct him how to vote, please tick the appropriate boxes on the form.

The Chair intends to vote all available undirected proxies in favour of each item of business.

If you appoint as your proxy any Director of the Company, except the Chairman, or any other Key Management Personnel or any of their Closely Related Parties and you do not direct your proxy how to vote on Resolutions 8A – 8D (inclusive) and Resolution 12, he or she will not vote your proxy on that item of business.

# Explanatory Memorandum

## 1. Introduction

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This Explanatory Memorandum has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's General Meeting.

The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Memorandum should be read in conjunction with the Notice of Meeting. Capitalised terms in this Explanatory Memorandum are defined in the Glossary.

This Explanatory Memorandum includes information and statements that are both historical and forward-looking. To the extent that any statements relate to future matters, Shareholders should consider that they are subject to risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry as well as matters such as general economic conditions. Actual events and results may differ materially. None of the Company, the Directors, or their advisors can assure Shareholders that forecasts or implied results will be achieved.

## 2. Transaction Summary and Relevant Considerations for Shareholders

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### 2.1 Background

On or around 18 November 2015, Latia entered into a share sale and purchase agreement (**Purchase Agreement**) with the Vendors in relation to the acquisition of all of the issued shares in Freehill Investments Pty Ltd, in consideration for the Company agreeing to issue to the Vendors the Consideration Shares pro rata to their respective shareholdings.

Prior to the issue of the Consideration Shares, and subject to the approval of Shareholders, a consolidation of the existing Shares on issue will take place to reduce the number of Shares on issue from 1,363,346,543 Shares to approximately 8,544,315 Shares, assuming the conversion of existing convertible notes on issue in Latia.

### 2.2 Overview of Freehill

Freehill Investments Pty Ltd ACN 158 270 627 (**Freehill**) is an Australian company which is engaged in identifying quality resource opportunities with an identifiable short term horizon to production. Initial qualification requires prudent economic exploitation to support the establishment of significant reserves. Once appropriate reserves are identified, Freehill seeks to maximise the value of such reserves by scaling up operations supported by a bankable feasibility study. To date, Freehill is pursuing this strategy in respect of the iron ore tenements held by two wholly-owned Chilean incorporated subsidiaries, Yervas Buenas SpA (**YB**) and San Patricio SpA (**SpA**) (collectively the **Chilean Companies**).

The Chilean Companies, which are in the business of mining, extracting, processing and selling iron ore, are in turn the registered owner of certain mining leases, tenements and interests associated with the Yervas Buenas iron ore mine. The Yervas Buenas mine is located 30 km north of the city of La Serena, IV Region of Coquimbo, and the licence area has an approximate area of 398 hectares. Currently the mining operation is processing magnetite iron ore sands and has a number of targeted areas to potentially expand production of iron ore from sands and hard rock.

The Chilean Companies are parties to offtake agreements with various manufacturers, through which the Chilean Companies derive a majority of their revenue. The Chilean Companies are registered owners of mining leases over a total of approximately 400 hectares of land in Chile.

Further information on Freehill's business operations is set out in section 7 of the Independent Expert's Report in Annexure C to this Explanatory Memorandum, and financial information in relation to Freehill is set out in section 7 and 10 of the Independent Expert's Report.

### 2.3 Purchase Agreement

Under the Purchase Agreement, subject to various conditions, the Company agreed to purchase 100% of the ordinary shares in Freehill from the Vendors, and the Vendors agreed to sell all of their ordinary shares in Freehill to the Company. Latia will acquire 100% of the issued shares in Freehill. The consideration for the purchase consists wholly of the issue of the Consideration Shares.

The key terms of the Purchase Agreement are:

- (a) Completion of the Purchase Agreement is subject to the satisfaction or waiver in accordance with the Purchase Agreement of various conditions precedent, which including:
  - (i) all the Resolutions being passed at the General Meeting;
  - (ii) Latia completing its due diligence on Freehill to its absolute satisfaction;
  - (ii) Prior to Completion, the Company does not receive a proposal in respect of the Company which an independent expert determines to be superior to the Proposed Transaction for Shareholders of the Company;
  - (iv) The Company obtaining and complying with the Company Approvals and any other requirements, approvals, consents or authorisations from ASIC, ASX or other Regulatory Authority as determined necessary by the Company (acting reasonably) or as may be required to legally and validly implement the Proposed Transaction (including any Consolidation or Reconciliation, if required);
  - (v) The Company completing the Consolidation and Reconciliation;
  - (vi) The Vendors and Freehill obtaining all required Freehill shareholder and/or board approvals as may be required to legally and validly implement the Proposed Transaction; and
  - (vii) Freehill shall facilitate and the Company shall complete the Capital Raising subject to any conditions ASX may impose on the Capital Raising, including that Completion occurs under the Purchase Agreement and that the shares to be issued and allotted pursuant to the Capital Raising are in accordance with the Corporations Act.
- (b) Subject to the satisfaction (or waiver) of the conditions precedent, the total consideration for the purchase of the Freehill Shares comprises of:
  - (i) the issue and allotment of the Consideration Shares to the Vendors according to the Vendor Proportions; and
  - (ii) the issue of the Service Provider Shares.
- (c) It is proposed to appoint Mr Juan Enrique Dagach as a Director from the date on which the Proposed Transaction is completed.
- (d) The Vendors acknowledge that ASX may require that some or all of the Consideration Shares to be issued to them be classified as ASX Restricted Securities for such escrow period as ASX specifies; and
- (e) The Vendors undertake that they will enter into a restriction agreement in the form of Appendix 9A of the ASX Listing Rules in respect of the Consideration Shares to be

issued to them which are classified as ASX Restricted Securities for such escrow period as ASX specifies.

- (f) In addition, the Vendors agree to a voluntary escrow of the Consideration Shares to be issued to them for 12 months from their issue date (less any of their Consideration Shares which are classified as Restricted Securities for an escrow period equal to or greater than 12 months and 24 months from their issue date respectively) – see Section 2.4 for further details.

Subject to the satisfaction or waiver of the conditions precedent (other than those which cannot be waived), it is presently anticipated that Completion will occur on or around [insert relevant date].

## 2.4 Restricted Securities

As mentioned in Section 2.3, the Purchase Agreement includes:

- (a) an acknowledgement by the Vendors and Latia that ASX may require that some or all of the Consideration Shares to be issued to them be classified as ASX Restricted Securities for such escrow period as ASX specifies; and
- (b) an undertaking by each Vendor that it will enter into a restriction agreement in the form of Appendix 9A of the ASX Listing Rules in respect of the Consideration Shares to be issued to it which are classified as ASX Restricted Securities for such escrow period as ASX specifies.

In addition, the Vendors have agreed to enter into a voluntary restriction agreement with the Company in relation to 50% of the Consideration Shares which are issued to each them at Completion (**Voluntary Restricted Securities**).

Under these voluntary restriction agreements, the Vendors agree, subject to certain limited exceptions, not to deal in their Voluntary Restricted Securities for a period of 12 months from their issue date (less any of their Consideration Shares which are ASX Restricted Securities for an escrow period equal to or greater than 12 months from their issue date).

The purpose of this voluntary escrow arrangement is to align the interests of the Vendors with all other Shareholders and to promote an orderly market for the Shares following completion of the Transaction.

The total number of Consideration Shares to be issued to each Vendor at Completion is set out in column 2 of the table in Section 10.

The restriction on "dealing" is broadly defined and includes, among other things, disposing of, or agreeing or offering to dispose of, any of the Voluntary Restricted Securities or any legal, beneficial or economic interest in any of the Restricted Voluntary Securities or creating, or agreeing or offering to create, any security interest in any of the Voluntary Restricted Securities during the abovementioned escrow periods.

During the escrow periods, the Vendors may deal in any of their Voluntary Restricted Securities if the dealing arises solely as a result of:

- acceptance of a bona fide takeover offer for all of the Shares made under Chapter 6 of the Corporations Act, provided that the holders of at least half of the non-escrowed Shares have accepted the takeover offer;
- the transfer or cancellation of Shares as part of a scheme of arrangement relating to the Company under Part 5.1 of the Corporations Act; or
- a dealing required by applicable law (including an order of a court of competent jurisdiction).

The voluntary restriction agreements will **not** restrict the voting or dividend rights attaching to the Voluntary Restricted Securities nor the right to receive or participate in other forms of

distributions or issues of equity interests made by the Company, including in-specie distributions, capital returns and entitlement issues, attaching to the Voluntary Restricted Securities.

ASIC has modified section 609 of the Corporations Act so that the Company will not have a relevant interest in the Voluntary Restricted Securities for the purposes of the takeover provisions in Chapter 6 of the Corporations Act merely because it will have power to control the disposal of the Voluntary Restricted Securities under the voluntary restriction agreements. This modification does not apply to the substantial holding requirements in Chapter 6C of the Corporations Act.

Under the escrow conditions attaching to ASX Restricted Securities, during the applicable escrow periods a Permitted Security Interest may not be created in the ASX Restricted Securities and the holder of them will not be entitled to participate in any return of capital made by the Company.

## 2.5 Capital Raising

In order to assist the funding of the development and expansion of the Company after the acquisition of Freehill, an offer of not more than 50 million Shares at an issue price of \$0.10 per Share under a prospectus (**Offer**) is proposed to raise a minimum of \$3,500,000 and a maximum of \$5,000,000 (before costs of the Offer). Further details of this capital raising, including the proposed use of the funds raised, are set out in Section 2.8.

## 2.6 Change of Name

As the Freehill mining business will be the main undertaking of the Company after Completion, it is proposed that the name of the Company be changed to Freehill Mining Limited (see Section 10 for further details).

## 2.7 Capital structure following the proposed issue of Shares (post consolidation)

The following table shows the effect on the issued share capital of Latia after completion of the Proposed Transaction, assuming the maximum number of Offer Shares is issued; the existing convertible notes currently on issue are all converted into shares, and all Resolutions are passed:

Effect on Latia's issued share capital	No. of Shares
<b>Shares currently on issue (pre-consolidation)</b>	<b>1,363,346,543</b>
Shares to be issued if conversion of existing convertible notes occurs on a pre-consolidation basis	533,491,405
<b>Shares on issue assuming conversion of existing convertible notes (pre-consolidation)</b>	<b>1,896,837,948</b>
<b>Balance after consolidation of Shares (assuming conversion of existing convertible notes)</b>	<b>8,544,315</b>
Conversion Shares to be issued pursuant to Resolution 10 (post-consolidation)	6,675,318
Maximum number of Offer Shares to be issued pursuant to Resolution 5 (post-consolidation)	50,000,000
Consideration Shares to be issued pursuant to Resolutions 3 and 4 (post-consolidation)	537,000,000
Service Provider Shares to be issued pursuant to Resolution 6 (post-consolidation)	1,420,000
Directors Shares to be issued pursuant to Resolution 8 (post-consolidation)	3,000,000
<b>Balance after issue of the Conversion, Consideration, Service Provider and Directors' Shares, and maximum number of Offer Shares (post-consolidation, assuming conversion of existing convertible notes)</b>	<b>606,639,633</b>

## 2.8 Expenditure plans and use of funds

The Company intends to use the funds raised from the Offer Shares issued pursuant to the Prospectus, as contemplated by Resolution 5, as follows:

<b>Proposed Application of funds raised</b>				
	<b>Minimum Subscription (\$3,500,000)</b>		<b>Full Subscription (\$5,000,000)</b>	
	<b>Amount (\$)</b>	<b>%</b>	<b>Amount (\$)</b>	<b>%</b>
Expenses of the Capital Raising (including capital raising fees)	526,498	15.04	642,398	12.85
Sales and marketing	20,000	0.57	50,000	1.00
Corporate and administration	510,000	14.57	480,000	9.60
Travel and other	30,000	0.86	150,000	3.00
Loan repayments	1,000,000	28.57	1,000,000	20.00
Exploration & Expansion	-	0.00	1,000,000	20.00
Working capital	1,413,502	40.39	1,677,602	33.55
<b>Total</b>	<b>3,500,000</b>	<b>100.00</b>	<b>5,000,000</b>	<b>100.00</b>

## 2.9 Costs of the Proposed Transaction

It is estimated that approximately \$526,498 (based on the Minimum Subscription to raise \$3,500,000 before costs) and approximately \$642,398 (based on the Maximum Subscription to raise \$5,000,000 before costs) in expenses will be incurred or payable by the Company in respect of legal, accounting, Independent Expert's fees, commissions, printing, ASIC and ASX fees and other miscellaneous costs in connection with the Proposed Transaction. The total estimated costs are set out in the table below:

	<b>Minimum Subscription \$</b>	<b>Maximum Subscription \$</b>
Corporate advisory fees	\$50,000	\$75,000
Broker/Manager commissions/management fees	\$210,000	\$300,000
Investigating Accountant and Independent Expert's Fees	\$60,000	\$60,000
Legal fees	\$65,000	\$65,000
Printing and distribution	\$30,000	\$30,000
ASIC fees	\$1,000	\$1,000
ASX fees	\$110,498	\$111,398
<b>Total</b>	<b>\$526,498</b>	<b>\$642,398</b>

## 2.10 Rationale for the Proposed Transaction

The Company is a company listed on the Australian Securities Exchange. Iatia's shares have been suspended from quotation on the ASX since January 2010.

Pursuant to shareholder approval received by Iatia in July 2010, Iatia disposed of its main undertaking, being the imaging business (and all associated intellectual property) operated by its wholly owned subsidiary Iatia Imaging Pty Ltd in August 2010. Subsequent to the divestment in August 2010, Iatia has not undertaken any material business activity. The Company's assets currently comprise a number of residual assets and obligations from its businesses which it no longer carries on. None of these investments produce income for the Company and the Board considers they are unlikely to create Shareholder value in the foreseeable future.

Accordingly, the Board decided to explore new business opportunities. For the reasons outlined in Section 2.11 below, the Board considers that the Freehill Acquisition represents a significant investment opportunity for the Company and its Shareholders which has the potential to increase Shareholder value.

## 2.11 Advantages of the Freehill Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be

relevant to a Shareholder's decision on how to vote on Resolutions relating to the approval and implementation of the Transaction:

- (a) the Freehill acquisition represents a significant investment opportunity for the Company to diversify its interests;
- (b) pricing of the acquisition is considered by the Board to be relatively low for a producing iron-ore operation;
- (c) investigation by the Board has indicated that the Freehill is a low cost (both in capital expenditure and operational expenditure) producer in the production of iron ore.
- (d) Freehill has a committed off-take agreement with a major customer supporting relatively low volume production, and accordingly the Company will acquire a committed customer for its product who will provide revenue to support expansion of its operations;
- (e) further modest expenditures may result in significant value accretion in the assets being acquired;
- (f) the Company will acquire a scalable operating business which has the potential to increase Shareholder value and provide the Company with a viable future business;
- (g) the Transaction includes a significant capital raising that will provide the necessary working capital to facilitate the continued growth of the acquired operations of the Company;
- (h) the Board considers that the current operating arrangements and parties involved possess the experience and skills required to successfully expand the Company;
- (i) the Company has limited capital and income producing assets to continue without the Freehill acquisition and associated capital raising and will have difficulty in creating significant long-term value for Shareholders in its current state; and
- (j) the change in nature of the Company's activities could attract new investors and may allow the Company to more readily raise additional working capital (if required) and as such the Company may increase its ability to acquire further projects.
- (k) the Transaction will increase the market capitalisation of the Company and should increase the liquidity of the Shares. The voluntary escrow arrangements relating to a proportion of the Shares to be issued to the Vendors outlined in Section 2.4 may impact liquidity – see the liquidity and realisation risk factor outlined in Section 2.13 below.

## 2.12 Disadvantages of the Freehill Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Resolutions relating to the approval and implementation of the Transaction:

- (a) the Freehill acquisition will result in a change in the nature and scale of the Company's activities, which may not be consistent with the objectives of all Shareholders;
- (b) following completion of the Freehill Acquisition, the Vendors will collectively be the largest Shareholders of the Company and they will have the ability to significantly influence or control the Company;
- (c) the Freehill acquisition and the associated issue of Shares under the Offer will have a significant dilutionary effect on the shareholdings of the Shareholders;
- (d) the Transaction may potentially reduce the likelihood of a takeover bid being made for the Company as a result of the controlling interest that the Vendors will have after



Completion;

- (e) more Shares on issue in the Company may result in greater volatility of trading in the Shares; and
- (f) there are inherent risks associated with the Freehill acquisition. Some of these risks are outlined in Section 2.13 below.

## 2.13 Risk Factors

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company. Some of the key investments risks that the Company is exposed to if the Proposed Transaction proceeds are set out below.

- (a) **Competition:** Freehill operates in the bulk commodity market being iron ore and is subject to both the commodity cycle and the volatility of that market. In the domestic market in Chile Freehill is largely dependent of one buyer of its product, COMPAÑÍA MINERA DEL PACIFICO S.A. (“CAPS”). Freehill has gone through a rigorous qualification process to be a supplier to CAPS. There are currently no identified competitors in supplying CAPS in the region Freehill operates. The industry is currently going through a difficult period globally with a number of producers ceasing to trade due to of cost pressures. The major barriers to entry in the industry are production cost and committed off-take. Competitive pressure is being exerted by the world’s 3 major iron ore producers and the volume of their production impacts iron ore pricing. Further downward pressure on the iron ore price may have an adverse effect on the operating and financial position of Freehill.
- (b) **Sovereign risk:** Freehill’s activities are presently carried out in Chile. As a result, Freehill is subject to political, social, economic and other uncertainties including, but not limited to, changes in policies or the personnel administering them, foreign exchange restrictions, changes of law affecting foreign ownership, currency fluctuations, royalties and tax increases in that country. Other potential issues contributing to uncertainty such as repatriation of income, exploration licensing, environmental protection and government control over mineral properties should also be considered. Potential risk to Freehill’s activities may occur if there are changes to the political, legal and fiscal systems which might affect the ownership and operation of Freehill’s interests in Chile. This may also include changes in exchange control systems, expropriation of mining rights, changes in government and in legislative and regulatory regimes.
- (c) **Title risks and Native Title:** Freehill’s activities are presently carried out in Chile. Interests in tenements in Chile are governed by legislation and are evidenced by the granting of concession licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Freehill may lose title to its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments. It is also possible that, in relation to tenements which Freehill has an interest in or will in the future acquire such an interest, there may be areas over which legitimate native title rights exist. If native title rights do exist, the ability of Freehill to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations, may be adversely affected. The Directors will closely monitor the potential effect of native title claims involving tenements in which Freehill has or may have an interest.
- (d) **Discovery risk:** Any subsequent discovery by Freehill may not be commercially viable or recoverable: that is no resources within the meaning of the JORC Code may be able to be established and it may be that consequently no reserves can be established.
- (e) **Operating risk:** The nature of exploration, mining and mineral processing involves hazards which could result in Freehill incurring uninsured losses and liabilities to third

parties, for example arising from pollution, environmental damage or other damage, injury or death. These could include rock falls, flooding, unfavourable ground conditions or seismic activity, ore grades being lower than expected and the physical or metallurgical characteristics of the ore being less amenable to mining or treatment than expected.

- (f) **Location risk:** The physical distance of Freehill's operations in Chile from the Company's Australian base, difference in time zones and the lack of widely-spoken English in Chile impact on the ease of communication and project risk.
- (g) **Loss of revenue from key clients:** Freehill is significantly dependent on one client to off-take the majority of production from its mining operations. Until output is at sufficient scale, Freehill will continue to have this dependency. Based on representations from the client and an understanding of its circumstances, this is not considered a major risk to Freehill.
- (h) **Production cost improvement.** Freehill currently operates on relatively low production volumes however due diligence by Latia has indicated that the operation is readily scalable which should achieve significant production cost improvements. The ability to achieve these improvements will be dependent on no unidentified process issue or significant declines in grade of materials processed.
- (i) **Project risk:** The absence of drilling (except for 4 RC holes) and a Resource inventory at Yerbas Buenas is a project risk. Evidence from current operations and the widespread occurrence of three styles of magnetite mineralization gives confidence that significant resources do however exist and can be readily delineated.
- (j) **Weather:** From time to time wet weather can have an impact on Freehill's processing operations which may adversely impact the production process and consequent volumes of output and therefore impact unit costs. Whilst this may create short term challenges, the region in which Freehill operates has a moderate climate with a low average annual rainfall.
- (k) **Industry risk:** The level of activity in the industry can be cyclical and sensitive to a number of factors beyond the control of Freehill. In addition, Freehill may not be able to predict the timing, extent or duration of the activity cycles in the industry. Consequently, no assurance can be given regarding future demand or price sensitivity. Any sustained decline in worldwide demand could detrimentally affect Freehill's future growth and profitability profile.
- (l) **Earthquake:** Much of the west coast of Chile, including the Yerbas Buenas operation and the city of La Serena where Freehill is based is seismically active with frequent earthquakes and occasional tsunamis. These are not regarded as significant operational risks but some earthquake activity may result in logistical delays
- (m) **Re-Quotation of Shares on ASX:** As the Proposed Transaction constitutes a significant change in the nature and scale of the Company's activities, the Company must re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of the ASX. Trading in the Shares will be suspended on the ASX from the day of the General Meeting until ASX approves the Company's Re-compliance with Chapters 1 and 2 of the ASX Listing Rules (see Section 8 for further details). There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules. Shareholders should note that ASX has advised the Company that Latia will automatically be removed from the official list of ASX on the first business day after 1 January 2016 (**Deadline**) unless Latia has implemented a transaction that would lead to the reinstatement of its securities, such as the Proposed Transaction. Whilst the Company will seek to implement the Proposed Transaction prior to the Deadline; where it will not be in a position to do, it intends to apply to ASX

for an extension to the Deadline by which it will complete the Proposed Transaction in accordance with paragraph 3.4 of ASX Guidance Note 33. Shareholders should note that paragraph 3.4 of ASX Guidance Note 33 states that a short extension will only be agreed by ASX if the Company can demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its securities within a reasonable period. For these purposes, "final stages" means:

- having announced the transaction to the market;
- having signed definitive legal agreements for the transaction (including for any financing required in respect of the transaction);
- if the transaction requires a prospectus or product disclosure statement to be lodged with ASIC, having lodged that document with ASIC; and
- if the transaction requires security holder approval, having obtained that approval.

latia reasonably believes that it will be in a position to demonstrate to ASX's satisfaction that it is in the final stages of implementing the Proposed Transaction and obtain an extension to the Deadline as a result.

- (n) **Contractual risk – Purchase Agreement:** As noted in Section 2.1, completion of the Proposed Transaction is subject to the satisfaction of various conditions precedent, including confirmation by ASX that the Company has re-complied with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules. If the Proposed Transaction is not completed, latia will incur third party costs relating to advisors and other costs, without any material benefit being achieved.
- (o) **Economic conditions:** The financial performance and value of the Company may be influenced by various economic factors such as inflation, interest rates, domestic and international economic growth, taxation policies, legislative change, political stability, stock market conditions in Australia and elsewhere, changes in investor sentiment towards particular market sectors, exchange rate fluctuations and acts of terrorism.

#### 2.14 **Future of the Company if the Transaction is not approved by Shareholders**

If Resolutions 1 – 10 are not passed and the Proposed Transaction does not proceed:

- (a) the Company will have limited cash resources and growth opportunities;
- (b) the Shares may be suspended from quotation on the ASX; and
- (c) the Board will need to explore alternatives to expand the Company and increase Shareholder value.

#### 2.15 **Independent Expert's Report**

For the purposes of item 7 of section 611 of the Corporations Act and to assist Shareholders in considering the Resolutions in this Notice of Meeting, the Company has commissioned an Independent Expert's Report on the fairness and reasonableness of the Proposed Transaction. The report concludes the Proposed Transaction is FAIR AND REASONABLE to the non-Associated Shareholders.

The Board strongly recommends that you read the Independent Expert's Report in full, a copy of which is in Annexure C to this Explanatory Memorandum.

#### 2.16 **Indicative timetable**

Set out in the table below is the expected timing for completion of the Proposed Transaction and the matters contemplated by the Resolutions, subject to compliance with all regulatory requirements. These dates are indicative only and are subject to change. The Directors

reserve the right to amend the timetable without notice.

Action	Date
Lodgement of Prospectus with ASIC	1 December 2015
Prospectus offer opens	8 December 2015
Suspension of the Company's securities from trading on ASX at the opening of trading	17 December 2015
General Meeting	17 December 2015
Prospectus Offer closes	4 January 2015
Securities registered on a post-Capital Consolidation basis	24 December 2015
Issue of all New Shares	11 January 2016
Completion of the Proposed Transaction	11 January 2016
Last day for despatch of new holding statements to new Shareholders	15 January 2016
Satisfaction of ASX conditions for reinstatement	15 January 2016
Commencement of trading of New Shares on ASX	22 January 2016

### **3. Action to be taken by Shareholders**

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Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the General Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the General Meeting in person.

### **4. Interdependence of Resolutions**

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All Resolutions relate to the Proposed Transaction (**Interdependent Resolutions**). Accordingly, all Interdependent Resolutions are interdependent on each of the other Interdependent Resolutions being passed. Unless all Interdependent Resolutions are passed, it will be deemed that none of the Interdependent Resolutions have been passed. Shareholders should consider the Resolutions collectively, as well as individually.

### **5. Resolution 1 - Consolidation of share capital**

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Section 254H of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number. ASX Listing Rule 7.20 provides that if any entity proposes to reorganise its capital, it must advise shareholders of certain matters. These matters are set out below.

As at the date of this Notice, the Company has 1,363,346,543 Shares on issue. The Company also has a number of convertible notes on issue, which if converted, would result in the issue of 533,491,405 underlying conversion shares, on a pre-consolidation basis. If the maximum number of Shares which could be issued in connection with the Transaction were to be issued without this Resolution 1 being passed, there would be in excess of 100 billion Shares on issue. This large number of Shares imposes a number of disadvantages on the Company, including administrative cost and inconvenience and a negative perception associated with a potentially low share price, precluding investment from institutional investors who may be limited by their charters or mandates.

In addition, the Consolidation will assist the Company in re-complying with the admission requirements in Chapters 1 and 2 of the ASX Listing Rules.

The Directors believe that a consolidation of the Shares would assist in eliminating or mitigating these disadvantages and would create a more efficient capital structure and enable

a more appropriate share price for a listed entity of the Company's size.

If approved, and assuming that all convertible notes on issue are converted into 533,491,405 underlying conversion shares (on a pre-consolidation basis), the consolidation will reduce the Shares on issue from 1,896,837,948 Shares to approximately 8,544,315 Shares. As the consolidation applies equally to all Shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares (subject only to rounding of fractions). It follows that the consolidation will have no material effect on the percentage interest of each individual Shareholder in the Company.

### **Rounding**

Where any Shareholders have a holding which is not a multiple of 222 and would otherwise result in a fractional entitlement post consolidation, the fractional entitlement will be rounded up to the next whole number of Shares.

### **Holding Statements**

From the date of the consolidation, all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-consolidation basis. After the consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders. It is the responsibility of each Shareholder to check the number of Shares held prior to disposal.

Following the implementation of all Resolutions, the capital structure of the Company will be as set out in the table in Section 2.7.

Unless indicated otherwise, any further reference to "Shares" in this Explanatory Memorandum is a reference to Shares as if this Resolution has been passed and the Shares of the Company have been consolidated on a 1 for 222 basis.

### **Timetable**

The indicative timetable for the Share Consolidation is set out below. This indicative timetable is subject to change without notice.

General Meeting to consider the Resolutions	17 December 2015
Notification to ASX of results of General Meeting	17 December 2015
Trading in Shares on a post consolidated deferred settlement basis would ordinarily occur*	21 December 2015
Last day for Company to register transfers on a pre-Consolidation basis.	23 December 2015
Consolidation effective. Registration of securities on a post-Consolidation basis	24 December 2015
Despatch date	31 December 2015

\* As part of the process for Reconciliation with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules, the Shares will be suspended from trading on the ASX from the day of the General Meeting (assuming all Resolutions are passed) so deferred settlement trading will not occur.

## **6. Resolution 2 – Change in the Nature and Scale of Activities of the Company**

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As a result of the Freehill Acquisition, the nature and scale of the Company's activities will change significantly and the Freehill business will become the main undertaking of the Company.

Section 7 of the Independent Expert's Report contain a description of the Freehill Group's business operations.

ASX has indicated to the Company that, given the significant change in the nature and scale

of the activities of the Company upon completion of the Acquisition, it requires the Company to:

- (a) obtain the approval of Shareholders; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, the Company is seeking Shareholder approval under Resolution 2 for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2.

In addition, as part of the process for Re-compliance with the admission requirements, trading in the Company's Shares on the ASX will be suspended from the day of the Annual General Meeting (assuming all Resolutions 1 – 10 are passed) until ASX is satisfied that the requirements in Chapters 1 and 2 of the ASX Listing Rules have been met. Some of the key requirements of Chapters 1 and 2 are:

- (a) a prospectus must be issued and lodged with ASIC;
- (b) the Company must satisfy the shareholder spread requirements relating to the minimum number of shareholders in the Company and the minimum value of the shareholdings of those shareholders; and
- (c) the Company must satisfy the "profits test" or "assets test" as set out in ASX Listing Rule 1.3.

In order to meet these requirements, the Company will be issuing the Prospectus (see Resolution 2). The Company is also proposing to consolidate its capital (see Resolution 1).

#### **Board Recommendation**

Save for Mr Ray Mangion, each of the Directors has no interest in the outcome of Resolution **Error! Reference source not found.**, other than as Existing Shareholders. Each of them, with Mr Mangion abstaining, recommends that Shareholders vote in favour of Resolution **Error! Reference source not found.**

## **7. Resolutions 3 and 4 – Issue of Consideration Shares to Vendors**

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### **7.1 Background**

Resolutions 3 and 4 are ordinary resolutions which seek the approval for the issue of 537,000,000 Consideration Shares to the Vendors, as consideration for the Proposed Transaction. The Consideration Shares proposed to be issued to the Vendors under Resolutions 3 and 4 will be issued under the Prospectus.

### **7.2 Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties of a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies or shareholder approval is obtained.

R & A Mangion Pty Ltd ATF Stegman Superannuation Fund (the **Mangion Related Vendor**) is a related party of latia. Mr Ray Mangion is a director of R & A Mangion Pty Ltd. Mr Mangion is also a beneficiary of the Stegman Superannuation Fund, together with other family members. Mr Ray Mangion is a Director of the Company.

Smart Investment Chile Limited (the **Dagach Related Vendor**) is also a related party of latia, as Juan Enrique Dagach (who is associated with the Dagach Related Vendor) is a Proposed Director of latia.

A “financial benefit” is defined in the Corporations Act in broad terms and expressly includes a public company issuing securities. Accordingly, the issue of Consideration Shares to the Related Vendors, being the Mangion Related Vendor and Dagach Related Vendor, constitutes the provision of a financial benefit to a related parties by latia.

As stated above, the giving of a financial benefit to a related party of a public company is ordinarily prohibited by Chapter 2E of the Corporations Act. One exception to the general rule is where the provision of the financial benefit is on terms that would be reasonable in the circumstances if the Company and the related party were dealing at arm’s length terms (or on terms less favourable than arm’s length). Given that the Consideration Shares proposed to be issued to the Related Vendors are on the same terms as the other Unrelated Vendors, and at a deemed issue price equivalent to the issue price of the Offer to be made to the public under the Prospectus, the Board (with the exception of Mr Mangion) considers the issue of the Consideration Shares to the Related Vendors constitutes a provision of a financial benefit on arm’s length terms.

On this basis, as the provision of such benefits is expressly permitted by arm’s length exception under the Corporations Act, the Board does not consider the Company is required to seek shareholder approval in order to give the Related Vendors (being the Mangion Related Vendor and the Dagach Related Vendor) the financial benefit that is inherent in the issue to them of the Consideration Shares.

The Unrelated Vendors are not related parties of latia and therefore Chapter 2E does not apply to the issue of Consideration Shares to them.

Accordingly, Resolutions 3 and 4 does not seek approval for the purposes of Chapter 2E of the Corporations Act.

### 7.3 **Listing Rule 10.11**

#### *Application to Resolution 4*

Unless one of the exceptions in Listing Rule 10.12 applies, Listing Rule 10.11 requires that an entity must not issue or agree to issue equity securities to a related party of the Company unless it obtains prior Shareholder approval. Listing Rule 10.12 exception 6 provides that where a person is only a related party by reason of the transaction which is the reason for the issue of the securities and the application of section 228(6) of the Corporations Act, Listing Rule 10.11 shall not apply.

The Dagach Related Vendor is only a related party of the Company by reason of the Proposed Transaction which is the reason for the issue of Consideration Shares to it and the application of section 228(6) of the Corporations Act.

The Unrelated Vendors are not related parties of latia and therefore Listing Rule 10.11 does not apply to the issue of Consideration Shares to them.

As a result, Shareholder approval under Listing Rule 10.11 is not required for the purposes of Resolution 4, which is in relation to the issue of Consideration Shares to the Dagach Related Vendor and the Unrelated Vendors.

#### *Application to Resolution 3*

As set out above, the Mangion Related Vendor is a related party of the Company for the purposes of section 228 of the Corporations Act. Accordingly, Shareholder approval is sought under Listing Rule 10.11 to permit the issue of Consideration Shares to the Mangion Related Vendor.

For the purposes of Listing Rule 10.13 the following information is provided to Shareholders in respect of Resolution 3:

- (a) **Name of the persons**

The allottee under Resolution 3 is the Mangion Related Vendor or its nominee who will receive Consideration Shares.

(b) **Maximum number of securities that can be issued**

The maximum number of Consideration Shares to be issued under Resolution 3 is 3,500,000 Consideration Shares.

(c) **Date by which the entity will issue the securities**

It is proposed that the Consideration Shares will be issued in accordance with the timetable set out above. In any event, the Consideration Shares will be issued under Resolution 3 no later than one (1) month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(d) **Issue price of the securities**

The deemed issue price for the Consideration Shares under Resolution is \$0.10 per Share.

(e) **Terms of the issue**

The Shares to be issued under Resolution 3 are ordinary fully paid shares which on issue will rank equally with the Existing Shares (post-Consolidation) in the Company.

(f) **Intended use of the funds raised**

There will be no funds raised by the issue of the Consideration Shares, as such shares are being issued as consideration for Company's acquisition of the Mangion Related Vendor's shares in Freehill pursuant to the Proposed Transaction.

#### 7.4 **Listing Rule 7.1**

Under ASX Listing Rule 7.2 (Exception 16) Shareholder approval for the issue of Shares under ASX Listing Rule 7.1 is not required where Shareholder approval is obtained under item 7 of section 611 of the Corporations Act. Accordingly, Shareholders should note that if this Resolutions 3 and 4 are passed, the approval of Shareholders is not required under Listing Rule 7.1.

Further, Listing Rule 7.2 (Exception 14) states that approval pursuant to Listing Rule 7.1 is not required if shareholder approval is obtained under Listing Rule 10.11. Therefore, Shareholder approval under Listing Rule 7.1 is not required for the issue of Consideration Shares to the Mangion Related Vendor under Resolution 3.

#### 7.5 **Section 611 (item 7) of the Corporations Act**

The Dagach Related Vendor's Voting Power will exceed 20% following completion of the Proposed Transaction.

The Vendors do not consider they will be Associates of one another after the Consideration Shares are issued to them pursuant to Resolutions 3 and 4, and therefore do not consider that their Voting Power in the Company will collectively exceed 20% following completion of the Proposed Transaction (save for the Dagach Related Vendor). However, at the point in time when the Consideration Shares are issued pursuant to Resolutions 3 and 4, the Vendors may be considered Associates of one another as a consequence of participating in the Proposed Transaction and agreeing to sell their shares in Freehill to the Company.

Accordingly, the Company is seeking the approval of Shareholders under item 7 of section 611 of the Corporations Act for the purposes of section 606 of the Corporations Act because, at the time of issue of the Consideration Shares under Resolutions 3 and 4, the Vendors may be considered associated of one another and it is anticipated that they will hold Voting Power



in the Company of approximately 88.60%, assuming that \$5 million is raised under the Capital Raising.

In addition, Resolutions 3 and 4 also seek Shareholder approval under item 7 of section 611 of the Corporations Act to permit:

- (a) the voting power in the Company of the Dagach Related Vendor to increase from below 20% to more than 20% upon the issue of the Consideration Shares, which it is entitled to receive under the Purchase Agreement; and
- (b) the voting power in the Company of Juan Enrique Dagach (who controls the Dagach Related Vendor) to increase from below 20% to more than 20% upon the issue of the Consideration Shares, which it is entitled to receive under the Purchase Agreement.

As set out above, in accordance with Appendix 9B of the Listing Rules, some of the Consideration Shares issued under Resolutions 3 and 4 will be classified by the ASX as “restricted securities” and unable to be traded for periods of up to 24 months. In addition, the Vendors have entered into voluntary escrow arrangements in relation to the Consideration Shares, as detailed above.

#### 7.6 **Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74**

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

(a) **Identity of persons who will receive Consideration Shares pursuant to Resolutions 3 and 4 and their Associates**

If Resolutions 3 and 4 are passed (issue of Consideration Shares to Vendors), the Vendors will receive the numbers of Consideration Shares (and acquire a Relevant Interest in the number of Consideration Shares) set out in Annexure B of this Explanatory Memorandum.

Each of the Vendors do not consider they will be Associates of one another after the Consideration Shares have been issued to them, and therefore do not consider that their Voting Power in the Company will exceed 20% following completion of the Proposed Transaction. However, at the point in time when the New Shares are issued, upon completion of the Purchase Agreement, each of the Vendors will be considered Associates of one another as a consequence of their participating in the Proposed Transaction and agreeing to sell their shares in Freehill to the Company.

The following additional information is provided in relation to the Vendors:

(i) **Related Vendors**

(A) **Mangion Related Vendor (R & A Mangion Pty Ltd ATF Stegman Superannuation Fund)**

Mr Ray Mangion is a director of R & A Mangion Pty Ltd. Mr Mangion is also a beneficiary of the Stegman Superannuation Fund, together with other family members. M Ray Mangion is a Director of the Company.

(B) **Dagach Related Vendor (Smart Investment Chile Limited)**

Mr Juan Enrique Dagach controls Smart Investment Chile Limited. Mr Juan Dagach is also a Proposed Director of the Company.

(ii) **Unrelated Vendors**

Each of the other Vendors, being the Unrelated Vendors, is an unrelated party to the Company.

(b) **Impact of the Proposed Transaction on the Voting Power in the Company's Shares**

(i) **The Company's capital structure**

As at the date of this Notice, the Company has 1,363,346,543 Shares on issue. The Company also has a number of convertible notes on issue, which if converted, would result in the issue of 533,491,405 underlying conversion shares, on a pre-consolidation basis.

Assuming that all convertible notes on issue are converted into 533,491,405 underlying conversion shares (on a pre-consolidation basis), after the Consolidation is effective, the Company will have 8,544,315 shares on issue.

Once the issue of securities as proposed in Resolutions 3, 4, 5, 6, 8 and 10 have been completed and the underlying New Shares are issued, the capital structure of the Company will consist of 591,639,633 New Shares (assuming \$3,500,000 is raised under the Capital Raising) and 606,639,633 New Shares (assuming \$5,000,000 is raised under the Capital Raising).

(ii) **Current Voting Power of the Vendors**

As at the date of the Notice of Meeting, none of the Vendors have any Relevant Interest in any Existing Shares. Accordingly, the Vendors combined Voting Power as at the date of the Notice of Meeting is 0%.

(iii) **Relevant Interests and maximum Voting Power of the Vendors after the issue of the New Shares pursuant to Resolutions 3, 4 5, 6 and 8**

Once all of the New Shares referred to in Resolutions 3, 4, 5, 6, 8 and 10 have been issued, the number of Shares in which the Vendors will have a Relevant Interest will be as set out in Annexure B.

The maximum Voting Power of the Vendors set out below is provided based on the Company achieving:

A. the minimum Capital Raising of \$3,500,000;

B. the maximum Capital Raising of \$5,000,000;

Based on the Company achieving the minimum Capital Raising of \$3,500,000, the Vendors would together hold Voting Power equal to 90.85% assuming the issue of the Conversion, Consideration, Service Provider and Directors' Shares, and minimum number of Offer Shares (on a post-consolidation basis). Based on the Company achieving the maximum Capital Raising of \$5,000,000, the Vendors would together hold Voting Power equal to 88.60% assuming the issue of the Conversion, Consideration, Service Provider and Directors' Shares, and maximum number of Offer Shares (on a post-consolidation basis).

These numbers and percentages also assume that the Company does not issue any other Shares to any person prior to the completion of the Proposed Transaction.

The following table shows the collective Shareholdings and voting power of the Vendors after completion of the Transaction based on the alternative scenarios indicated:

	Number of Shares held after Share Consolidation	Number of Shares held after issue of the Conversion, Consideration, Service Provider and Directors' Shares, and minimum number of Offer Shares (post-consolidation)	Voting power after issue of the Conversion, Consideration, Service Provider and Directors' Shares, and minimum number of Offer Shares (post-consolidation)	Number of Shares held after issue of the Conversion, Consideration, Service Provider and Directors' Shares, and maximum number of Offer Shares (post-consolidation)	Voting power after issue of the Conversion, Consideration, Service Provider and Directors' Shares, and maximum number of Offer Shares (post-consolidation)
<b>Part A – Related Vendors</b>					
Mangion Related Vendor	Nil	3,500,000	0.59%	3,500,000	0.58%
Dagach Related Vendor	Nil	217,000,000	36.68%	217,000,000	35.77%
<b>Subtotal</b>	<b>Nil</b>	<b>220,500,000</b>	<b>37.27%</b>	<b>220,500,000</b>	<b>36.35%</b>
<b>Part B – Unrelated Vendors</b>					
All Unrelated Vendors	Nil	316,500,000	53.49%	316,500,000	52.17%
<b>Subtotal</b>	<b>Nil</b>	<b>316,500,000</b>	<b>53.49%</b>	<b>316,500,000</b>	<b>52.17%</b>
<b>TOTAL</b>	<b>0</b>	<b>537,000,000</b>	<b>90.76 %</b>	<b>537,000,000</b>	<b>88.52%</b>

*\*Notes:*

*The table assumes that the convertible notes currently on issue in the Company are all converted prior to consolidation.*

*Mr Ray Mangion will have the same voting power as the Mangion Related Vendor, and Mr Juan Enrique Dagach will have the same voting power as the Dagach Related Vendor.*

*The interests of the Mangion Related Vendor above assume the issue of the Consideration Shares to the Mangion Related Vendor under Resolution 3, but do not take into account the issue of Directors Shares to Mr Ray Mangion under Resolution 8A.*

#### **7.7 The identity, associations (with the Vendors) and qualifications of any person who is intended to or will become a Director**

It is intended that there will be an addition of one Director to the Board following the completion of the Proposed Transaction. Upon and subject to Completion, it is proposed that Mr Juan Enrique Dagach will be appointed as Director. Accordingly, the Board will comprise Mr Juan Dagasch and Existing Directors Messrs Stephen Chaplin, Paul Davies, Nicholas Kapes and Ray Magnion. A profile of the proposed new Director, Mr Juan Dagach, is provided in section 12.

#### **7.8 Intentions as to the future of the Company**

The Company understands that the present intentions of the Vendors regarding the future of the Company, if the Resolutions are approved by Shareholders, are that they:

- (a) have no current intention of making any changes to the business of the Company following the acquisition of Freehill except as outlined in this Explanatory Memorandum or agreed to in the Company's plans for the business following the acquisition of Freehill as set out in the Prospectus;
- (b) do not propose to inject further capital into the Company;
- (c) intend to retain the present employees of the Company (other than the proposed appointment of Mr Juan Enrique Dagach to the Board);
- (d) do not propose that any assets be transferred from the Company to the Vendors or their Associates; and

(e) have no intention to otherwise re-deploy the fixed assets of the Company.

**7.9 Particulars of the terms of the proposed allotment of Shares and any contract or proposed contract between the Vendors and the Company or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment of Shares to the Vendors.**

Other than the matters referred to in the Explanatory Memorandum and the Purchase Agreement, there are no contracts or proposed contracts between the Vendors and the Company or any of their associates which are conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment of Shares to the Vendors.

**7.10 Financial and dividend policies of the Company**

There is no immediate intention of the Existing Directors, the Proposed Director or the Vendors to change the financial or dividend policies of the Company.

**7.11 When the allotment of Shares to the Vendors is to be made.**

Subject to Shareholders approving the Resolutions in the Notice and ASX confirming that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules, the Consideration Shares will be issued at Completion in accordance with the timetable set out in section 2.16.

**7.12 An explanation of the reasons for the proposed allotment of Shares to the Vendors**

The Consideration Shares are to be allotted as consideration for the acquisition by the Company of the Vendors' shares in Freehill Investments Pty Ltd in accordance with the Company's obligations under the Purchase Agreement.

**7.13 The interests of the Directors in Resolutions 3 and 4**

None of the Directors has an interest in Resolutions 3 and 4, save for Mr Mangion, who is associated with the Mangion Related Vendor.

**7.14 Identity of the Directors who approved or voted against the proposal to put Resolutions 3 and 4 to Shareholders**

All Directors, save for Mr Mangion, voted for the proposal to put Resolutions 3 and 4 to Shareholders. Mr Mangion, having a material personal interest in the Resolutions, abstained from voting on this proposal.

**7.15 Intentions as to the future of the Company**

Other than as disclosed elsewhere in this Explanatory Memorandum and changes pursuant to the Proposed Transaction and the Resolutions, the Company understands that the present intentions of the Vendors regarding the future of the Company, if the Resolutions are approved by Shareholders, are that they:

- (f) have no current intention of making any changes to the business of the Company following the acquisition of Freehill except as outlined in this Explanatory Memorandum or agreed to in the Company's plans for the business following the acquisition of Freehill as set out in the Prospectus;
- (g) do not propose to inject further capital into the Company;
- (h) intend to retain the present employees of the Company (other than the proposed appointment of Mr Juan Enrique Dagach to the Board);
- (i) do not propose that any assets be transferred from the Company to the Vendors or their Associates; and
- (j) have no intention to otherwise re-deploy the fixed assets of the Company.

#### 7.16 **Financial and dividend policies of the Company**

There is no immediate intention of the Existing Directors, the Proposed Director or the Vendors to change the financial or dividend policies of the Company.

#### 7.17 **Proposal is fair and reasonable**

The report of the Independent Expert concludes that the proposed issue of New Shares and the Proposed Transaction described in this Explanatory Statement, is **fair and reasonable** to non-associated Shareholders. Shareholders are urged to consider the Independent Expert's Report in detail (see Annexure B).

#### 7.18 **Board Recommendation**

The Directors (other than Mr Mangion who is associated with the Mangion Related Vendor and who accordingly abstains from making a recommendation on this Resolution) recommends that Shareholders vote in favour of Resolutions 3 and 4.

### **8. Resolution 5 - Issue of Shares to raise capital**

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#### 8.1 **Background**

A condition precedent to Completion is that the Company raise up to \$5 million (before costs) from the issue of not more than 50 million New Shares (**Offer Shares**).

The Offer Shares are to be issued at \$0.10 per Share under the Prospectus.

The issue of Shares pursuant to this Resolution is conditional on ASX confirming that the Company has re-complied with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules. As ASX requires Latia to re-comply with the admission requirements under Listing Rule 11.1.3, Completion cannot take place until the ASX has confirmed that the Company has complied with those requirements.

#### 8.2 **Listing Rule 7.1**

ASX Listing Rule 7.1 provides that the Company must not issue, or agree to issue, equity securities (which includes Shares and options) in any 12 month period which amount to more than 15% of its Shares on issue at the commencement of that 12 month period, unless one of the exceptions to ASX Listing Rule 7.1 applies or Shareholder approval is obtained.

The Offer Shares to be issued under the Prospectus will exceed 15% of the number of Shares on issue at the beginning of the preceding 12 month period. Accordingly, the approval of Shareholders is required for the issue of the Offer Shares.

ASX Listing Rule 7.3 requires this Notice to include the following information:

- (a) Up to 50,000,000 New Shares will be issued.
- (b) Subject to Shareholders approving the Resolution and to ASX confirming that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules, the Offer Shares will be issued and allotted in accordance with the timetable in section 2.16, or in any event no later than 3 months after the date of the General Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Shares are to be issued at \$0.10 per New Share.
- (d) The New Shares will be issued to applicants under the Prospectus. The successful applicants will be determined at the sole discretion of the Company.
- (e) The Shares will be ordinary fully paid shares and are to be issued on the same terms and rank equally with other fully paid Shares on issue.

- (f) The funds raised by the issue of the Offer Shares will be used primarily for the purposes of working capital of the Freehill business after Completion.

### 8.3 Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 5.

## 9. Resolution 6 – Issue of Shares to Service Provider in lieu of fees

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### 9.1 Background

Resolution 6 seeks Shareholder approval to the issue of 1,420,000 Shares to the Service Provider as an alternative to payment of fees. The Service Provider Shares will be issued under the Prospectus.

### 9.2 Listing Rule 7.1

ASX Listing Rule 7.1 provides that the Company must not issue, or agree to issue, equity securities (which includes Shares and options) in any 12 month period which amount to more than 15% of its Shares on issue at the commencement of that 12 month period, unless one of the exceptions to ASX Listing Rule 7.1 applies or Shareholder approval is obtained (**7.1 Capacity**).

The effect of Resolution 6 will be to allow the Company to issue the Service Provider Shares during the period of 3 months after the General Meeting (or a longer period if allowed by ASX) without using the Company's 7.1 Capacity.

In accordance with ASX Listing Rule 7.3, which contains requirements as to the contents of a notice sent to shareholders for the purposes of ASX Listing Rule 7.1, the following information is provided to shareholders:

- (a) 1,420,000 Shares will be issued.
- (b) Subject to Shareholders approving the Resolution and to ASX confirming that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules, the Shares will be issued and allotted in accordance with the timetable in section 2.16, or in any event no later than 3 months after the date of the General Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Shares will be issued for nil cash consideration and at a deemed issue price of \$0.10 per Share (on a post Consolidation basis).
- (d) The Shares will be issued to the Service Provider or its nominee.
- (e) The Shares will be ordinary fully paid shares and are to be issued on the same terms and rank equally with other fully paid Shares on issue.
- (f) No funds will be raised from the issue of the Service Provider Shares as they are being issued for nil cash consideration but as consideration for the services provided by the Service Provider.

### 9.3 Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 6.

## 10. Resolution 7 – Change of Company Name

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The Directors consider it appropriate to change the Company name from "Iatia Limited" to "Freehill Mining Limited" to reflect the name of the acquired business.

If all the Resolutions are passed, the Company will lodge a copy of Resolution 7 with ASIC shortly after Completion and the change of name will take effect from the date ASIC alters the Company's registration details.

### **Board Recommendation**

The Board recommends that Shareholders vote in favour of Resolution 7.

## **11. Resolutions 8A – 8D – Issue of Shares to Directors in lieu of fees**

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### **11.1 Background**

Resolutions 8A – 8D seeks shareholder approval pursuant to Listing Rule 10.11 for the issue of a total of 3,000,000 Shares to Messrs Chaplin, Davies, Kapes and Magnion (or their nominees) in lieu of directors' fees payable to them for the year ended 30 June 2015 (together the **Directors' Shares**).

Messrs Chaplin, Davies, Kapes and Magnion are currently each entitled to receive cash remuneration of \$45,000 per annum for their services as Directors.

The Directors previously resolved that due to challenging market conditions and in order to preserve the Company's funds, a portion of Directors fees would not be taken in cash but would instead be accrued and paid in Shares, subject to obtaining the prior approval of Shareholders. This was deemed by the Board as an appropriate and responsible measure to reduce the cash burn rate of the Company, which concurrently sought to further align the interests of the Directors with that of Shareholders.

As at 30 June 2015, the fees which have accrued and are owing to the Directors are as follows:

Mr Ray Mangion	\$50,000
Mr Stephen Chaplin	\$50,000
Mr Paul Davies	\$100,000
Mr Nicholas Kapes	\$100,000

The Shares proposed under Resolutions 8A – 8D are the result of the agreement of each Director to forego cash payments (totalling \$50,000 for each of Mr Mangion and Mr Chaplin, and \$100,000 for each of Mr Davies and Mr Kapes) for part of their normal remuneration, and do not constitute additional payments to those Directors.

The Shares proposed to be issued to each Director will be issued at a deemed issue price of \$0.10 per Share, and the deemed value of the Shares to be issued to each Director will be \$50,000 for each of Mr Mangion and Mr Chaplin, and \$100,000 for each of Mr Davies and Mr Kapes.

Where Shareholder approval is received for Resolutions 8A – 8D and the Company issues the Shares the subject of those resolutions to Messrs Plympton and Bennett, the outstanding fees owed by the Company to each Director will be reduced by \$50,000 for each of Mr Mangion and Mr Chaplin, and \$100,000 for each of Mr Davies and Mr Kapes. Accordingly, subject to Shareholder approval of Resolutions 8A – 8D, no further fees will remain owing to each Director as at 30 June 2015.

An alternative to the issue of the Shares to the Directors would be to make full payment of their outstanding Directors' fees in cash. However, given the current stage of development of the Company, and the necessity for cash resources to be preserved and directed into the growth of the Company's business, the Board considers the issue of the Shares to be an appropriate cash-free method of remunerating the Directors for their commitment and contribution to the Company.

The Shares are to be issued to Directors or their nominee(s) in lieu of their director's fees, and as such the Shares will be issued for nil consideration and no funds will be raised as a result.

## 11.2 Chapter 2E of the Corporations Act

For the purposes of Chapter 2E, each Director is a related party of the Company, by virtue of section 228(2) of the Corporations Act.

A "financial benefit" is defined in the Corporations Act in broad terms and expressly includes a public company issuing securities. The giving of a financial benefit to a related party of a public company is ordinarily prohibited by Chapter 2E of the Corporations Act. The exceptions to the general prohibition are where the benefit is given with the approval of shareholders or the benefit is given in one or more of the limited circumstances in which the giving of a financial benefit to a related party of a public company is permitted.

One exception to the general rule is where the benefit constitutes "reasonable remuneration" in respect of the duties and responsibilities of the related party in the management of the public company. The issue of the Shares to the Directors in lieu of their foregone cash fees constitutes "reasonable remuneration" in respect of each of the Directors and, as the provision of such benefits is expressly permitted by section 211(1) of the Corporations Act, it is considered that the Company is not required to seek shareholder approval under Chapter 2E of the Corporations Act in order to give each Director the financial benefit that is inherent in the issue to them of the Shares.

## 11.3 Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval prior to the issue of securities to a related party of the company. Each Director is a related party of the Company and accordingly Resolutions 8A – 8D seek the Shareholder approval required by ASX Listing Rule 10.11 to allow the issue of Shares to the Directors.

If Shareholder approval is given for the purposes of Listing Rule 10.11, approval will not be required under ASX Listing Rule 7.1, and the Shares issued pursuant to Resolutions 8A – 8D will not be included in the calculation of the Company's 7.1 Capacity.

In accordance with ASX Listing Rule 10.13, which contains requirements as to the contents of a notice sent to shareholders for the purposes of ASX Listing Rule 10.11, the following information is provided to shareholders:

Maximum no. of securities to be issued	Resolution 8A (Mr Ray Mangion) Resolution 8B (Mr Stephen Chaplin) Resolution 8C (Mr Paul Davies) Resolution 8D (Mr Nicholas Kapes)	500,000 500,000 1,000,000 1,000,000
Date by which securities will be issued	If Shareholder approval is obtained for Resolutions 8A – 8D, the Company will issue the Shares as soon as is practicable after the Extraordinary General Meeting, or in any event no later than 1 month after the date of the Extraordinary General Meeting (or such longer period of time as ASX may in its discretion allow).	
Issue price per security	The Shares will be issued at nil cash consideration and at a deemed issue price of \$0.10 each.	
Recipient of issue	Resolution 8A - Mr Ray Mangion or his nominee Resolution 8B – Mr Stephen Chaplin or his nominee Resolution 8C – Mr Paul Davies or his nominee Resolution 8D – Mr Nicholas Kapes or his nominee	
Terms of securities	The Shares are fully paid ordinary shares ranking pari-passu with other existing fully paid ordinary shares in the Company.	



Use of funds raised	No funds will be raised by the issue of Shares to the Directors or their nominee(s), although the Company's liability to those Directors in relation to their accrued Directors' fees will be satisfied by the issue of the Shares, thus preserving the Company's cash to that extent.
Voting Exclusion Statement	A voting exclusion statement applies to this item of business, as set out in the Notice.

#### 11.4 **Board Recommendation**

Whilst the Directors consider it to be in the interests of the Company, in the current economic circumstances to preserve the Company's cash to the extent resulting from the passing of Resolutions 8A-8D and directing such cash into the growth of the Company's business, the Directors decline to make a recommendation to Shareholders in relation to Resolutions 8A-8D due to their material personal interests in the outcome of the Resolutions

## **12. Resolution 9 – Appointment of Juan Enrique Dagach as Director**

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### 12.1 **Background**

Resolution 9 is an ordinary resolution and provides for the approval of the appointment of the Mr Juan Enrique Dagach to the Board. The appointment of Mr Dagach will become effective only on and from the date on which the Proposed Transaction is completed. A profile of Mr Dagasch is set out below.

### 12.2 **Profile of Mr Juan Enrique Dagach**

Juan Enrique Dagach has over 15 years mining industry experience in Chile. He has worked at high level positions as an operator and technical consultant to a number of projects with particular focus on iron ore.

His work has covered mine evaluation, technical feasibility, reserve assessment, logistics analysis and metallurgical evaluation.

As an operator he has been involved in taking a green field site to a producing mine meeting production standards required by the market.

He brings a wealth of local knowledge and experience to the company together with his considerable technical skill and understanding.

Mr Dagach holds a degree in Civil Engineering from the University of Santiago and qualifications in Business Administration and Management from the Pontifical Catholic University of Chile.

### 12.3 **Board Recommendation**

The Board recommends that Shareholders vote in favour of Resolution 9.

## **13. Resolution 10 – Approval of issue of Conversion Shares**

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### 13.1 **Background**

Resolution 10, which is an ordinary resolution, seeks Shareholder approval pursuant to ASX

Listing Rule 7.1 for the issue of 6,675,318 Conversion Shares to retire debt under existing loans.

The Company has entered into loans with a number of lenders who are professional and sophisticated investors for an aggregate value of \$250,000 for the purposes of supplying working capital for the Company. In order to preserve the Company's cash resources, the lenders and the Company have agreed to the conversion of the loans in full and final satisfaction of the Company's repayment obligations.

The effect of Resolution 10 will be to allow the Company to retire debt of \$250,000 by issuing the Conversion Shares during the period of 3 months after the Extraordinary General Meeting (or a longer period if allowed by ASX) without using the Company's 7.1 Capacity.

### 13.2 Information required by Listing Rule 7.3

In accordance with ASX Listing Rule 7.3, which contains requirements as to the contents of a notice sent to shareholders for the purposes of ASX Listing Rule 7.1, the following information is provided to shareholders:

<b>Maximum no. of securities to be issued</b>	6,675,318 Conversion Shares (on a post-consolidation basis)
<b>Date by which securities will be issued</b>	If Shareholder approval is obtained for Resolution 10, the Company will issue the Conversion Shares as soon as is practicable after the Extraordinary General Meeting, or in any event no later than 3 months after the date of the Extraordinary General Meeting (or such longer period of time as ASX may in its discretion allow).
<b>Issue price per security</b>	The Conversion Shares will be issued for nil cash consideration to retire debt; the Conversion Shares will be issued for a deemed issue price of \$0.0375 per Share.
<b>Recipient of issue</b>	The Conversion Shares will be issued to the lenders of the loans, who are sophisticated and professional investors.
<b>Terms of securities</b>	The Conversion Shares will be fully paid ordinary shares ranking pari-passu with other existing fully paid ordinary shares in the Company.
<b>Use of funds raised</b>	No funds will be raised directly from the issue of the Conversion Securities as the securities are being issued to retire debt of \$250,000.
<b>Voting Exclusion Statement</b>	A voting exclusion statement applies to this item of business, as set out in the Notice.

### 13.3 Board Recommendation

The Directors consider that it would be in the interests of the Company to preserve its cash resources by discharging its obligations of cash repayment of the loans by issuing the Conversion Shares. As stated above, the Directors believe that it is in the best interests of the Company to preserve its 7.1 Capacity in issuing the Conversion Shares. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 10.

## 14. Item 11 – Financial and Related Reports

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Section 317 of the Corporations Act requires the Company's Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 June 2015 to be laid before the

Company's 2015 Annual General Meeting. There is no requirement for a formal resolution on this item.

The Financial Report contains the financial statements of the consolidated entity consisting of the Company and its controlled entities.

As permitted by the Corporations Act, a printed copy of the Company's 2015 Annual Report has been sent only to those Shareholders who have elected to receive a printed copy. The 2015 Annual Report, which contains the Directors' Report, the Financial Report and the Remuneration Report, is available from ASX's website ([www.asx.com.au](http://www.asx.com.au)) (ASX:IAT).

The Chair of the meeting will allow a reasonable opportunity at the General Meeting for Shareholders to ask questions. Shareholders will also be given a reasonable opportunity at the General Meeting to ask the Company's auditor questions about its Audit Report, the conduct of its audit of the Company's Financial Report for the year ended 30 June 2015, the preparation and content of its Audit Report, the accounting policies adopted by the Company in its preparation of the financial statements and the independence of the Company's auditor in relation to the conduct of the audit.

## **15. Resolution 12 – Adoption of Remuneration Report (Non-binding resolution)**

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Pursuant to section 250R(2) of the Corporations Act, the Company is required to put a resolution to a vote of Shareholders at each annual general meeting that the Remuneration Report (which forms part of the Directors' Report in the Annual Financial Statements) be adopted.

The purpose of Resolution 12 is to lay before the Shareholders the Company's Remuneration Report for the year ended 30 June 2015 so that Shareholders attending the General Meeting will have an opportunity to discuss and put questions in respect of the Remuneration Report and the management of the Company, and vote on an advisory and non-binding resolution to adopt the Remuneration Report.

The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies.

However, Shareholders should note that, pursuant to section 250R(3) of the Corporations Act, the vote on the Remuneration Report is advisory only and the outcome of the vote does not bind the Directors or the Company. The Remuneration Report sets out the Company's remuneration policy and reports on the remuneration arrangements in place for Directors and key executives of the Company.

As a result of the amendment to the Corporations Act which came into effect on 1 July 2011, a 'two-strikes and re-election' process has been introduced as follows:

- (a) Where the Company's Remuneration Report receives a 'no' vote of 25% or more, the Company's subsequent Remuneration Report must explain the Board's proposed action in response or, if the Board does not propose any action, the Board's reasons for inaction.
- (b) Where the Company's subsequent Remuneration Report receives a 'no' vote of 25% or more, a Resolution must be put (Spill Resolution) to shareholders at the same Meeting.
- (c) If the Spill Resolution passes with 50% or more of the eligible votes cast, another meeting of the Company's shareholders (**Spill Meeting**) must be held within 90 days. At the Spill Meeting, all Directors (other than the Managing Director) who were in office when the Directors' Report was considered at the most recent Meeting will be required to stand for re-election.

The Company notes that the resolution adopting the remuneration report set out in the Company's 2014 Annual Report was approved by more than 75% of Shareholders at the

Company's annual general meeting on 18 February 2015.

The Remuneration Report forms part of the Directors' Report which has been unanimously adopted by resolution of the Board. The Directors have resolved in favour of the Remuneration Report and commend it to Shareholders for adoption. The Company encourages all Shareholders to cast their votes on Resolution 12.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on this Resolution by marking either "For", "Against" or "Abstain" on the proxy form for this Resolution. If you appoint the Chairman of the meeting as your proxy (or if he may be appointed by default) and do not direct him how to vote on this Resolution 12, he will vote your proxy in favour of Resolution 12.

## **16. Resolutions 13 – 16 – Election of Directors**

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### **16.1 Purpose of Resolutions**

Messrs Ray Mangion, Paul Davies, Nicholas Kapes and Stephen Chaplin, who were appointed as Directors on 24 March 2015, 24 March 2015, 14 April 2015 and 3 August 2015 respectively to fill casual vacancies to the Board, each offers himself for election in accordance with ASX Listing Rule 14.4 and the Constitution.

### **16.2 About Mr Ray Mangion**

Mr Mangion has performed the role of Managing Director of Morbak Investments Pty Ltd for the past 18 years, having created the business as a start-up business. He has approximately 30 years' managerial experience and holds an Associate Diploma of Business (Accounting) and an RG146 Associate Diploma in Financial Planning.

### **16.3 About Mr Paul Davies**

Mr Davies has extensive experience as CFO of both publicly traded and privately held companies. Over the past 10 years he has been involved with many early stage companies involving reporting, strategic planning, systems implementation, fundraising and IPO. Prior to this Mr Davies was Director in Charge of Corporate and Institutional Banking for Deutsche Bank Australia and a member of the Deutsche Bank Credit Committee. He has been directly involved in over \$20 billion worth of transactions involving origination, advising, arranging, structuring, project finance, lead managing, syndication, negotiation, risk management, including servicing many of Australia's major mining companies. Before Deutsche Bank Mr. Davies worked for a number of years with both Bankers Trust Australia and Macquarie Bank.

With his 20 plus years in the finance sector Mr Davies brings to the company considerable experience in both debt and equity markets in addition to significant understanding of the mining sector.

Mr Davies holds an Economics Degree from Monash University, has qualified as a Chartered Accountant and is an alumnus of the Stanford Business School.

### **16.4 About Mr Nicholas Kapes**

Mr Kapes began his professional career in 1988, where he commenced merchant banking after completing a Bachelor of Economics. He brings to the Board an array of experience including trading on the world's major exchanges on behalf of some of the world's premier banks, including Credit Suisse. Mr Kapes was a Director of Proprietary Trading at Credit Suisse for two years.

In his time as a merchant banker Mr Kapes became heavily involved in companies evolving from venture capital stage to listing on the Australian Securities Exchange.

Since his return to Melbourne in late 2005, Mr Kapes has actively engaged in originating deal opportunities and implementing strategic business initiatives including mergers and

acquisitions, private and public equity capital raisings through initial public offerings, private placements and rights issues.

#### 16.5 **About Mr Stephen Chaplin**

Mr Chaplin has been a company director with over 30 years' experience in a number of Australian companies including mining, manufacturing, commercial fishing and property development. Stephen has participated in "Team Australia" which is a government initiative inviting Australian small business to pitch directly to the USA military procurement program, has extensive experience in international trade, is a significant investor in many ASX listed companies and a member of the Australian Institute of Company Directors.

#### 16.6 **Board Recommendation**

The Board, with Messrs Mangion, Davies, Kapes and Chaplin abstaining from making a recommendation on Resolutions 13, 14, 15 and 16 respectively, recommends that Shareholders vote in favour of Resolutions 13 – 16 (inclusive).

## Glossary

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires.

**A\$ or \$** means an Australian dollar.

**AEDT** means Australian Eastern Daylight Savings Time as observed in Melbourne, Victoria.

**Annexure** means an annexure to this Explanatory Memorandum.

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

**Associate** has the meaning ascribed in the Corporations Act

**ASX** means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as the context requires.

**ASX Restricted Securities** means any securities which are classified by the ASX as Restricted Securities under the ASX Listing Rules.

**Board** or **Board of Directors** means the Board of Directors of the Company.

**Business Day** means a day on which the ASX is open for trading.

**Capital Raising** the proposed Issue of New Shares under the Prospectus, as contemplated by Resolution 5.

**Chairman** means the chairman of the Company, Mr Stephen Chaplin.

**Chilean Companies** means Yervas Buenas SpA (**YB**) and San Patricio SpA (**SpA**).

**Company** means Iatia Limited (ACN 091 608 025).

**Company Approvals** the approvals of the Company's Shareholders required pursuant to the Corporations Act and the Listing Rules for the purpose of implementing the Proposed Transaction

**Completion** means the simultaneous completion of all (and not only some) of the obligations of both the vendors and the purchaser set out in the Purchase Agreement.

**Constitution** means the constitution of the Company.

**Consideration Shares** the (post-Consolidation) 537,000,000 fully paid ordinary shares in the capital of the Company to be issued to the Vendors.

**Consolidation** means the 1 for 222 consolidation of Existing Shares to be approved at the General Meeting.

**Conversion Shares** the 6,675,318 fully paid ordinary shares to be issued to retire debt under existing loans (on a post-consolidation basis).

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Dagach Related Vendor** means the Vendor Smart Investment Chile Limited.

**Directors** mean the directors of the Company.

**Directors Shares** means the shares to be issued to the Directors under Resolution 8.

**Explanatory Memorandum** means this explanatory memorandum accompanying the Notice of Meeting.

**Existing Directors** means Stephen Chaplin, Paul Davies, Nicholas Kapes and Ray Mangion.

**Existing Shares** means the 1,363,346,543 Shares in the Company on issue at the date of this Prospectus.

**Existing Shareholder** means the holder of an Existing Share.

**Freehill** means Freehill Investments Pty Ltd ACN 158 270 627.

**Independent Expert** means Hall Chadwick Corporate (NSW) Limited (ACN 080 462 488).

**Independent Expert's Report** means the report of the Independent Expert attached to Annexure C to this Explanatory Memorandum.

**Issue** means the issue of Shares in accordance with the Offers.

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

**Mangion Related Vendor** means the Vendor R & A Mangion Pty Ltd ATF Stegman Superannuation Fund.

**Maximum Subscription** means the raising of \$5,000,000 by the issue of 50,000,000 New Shares at \$0.10 each pursuant to the Public Offer under this Prospectus.

**Minimum Subscription** means the raising of \$3,500,000 by the issue of 35,000,000 New Shares at \$0.10 each pursuant to the Public Offer under this Prospectus.

**New Shares** means fully paid ordinary shares in the Company after the Consolidation.

**Notice of Meeting** means the notice of meeting and Explanatory Statement convening this General Meeting.

**Official List** means the official list of ASX.

**Official Quotation** means the quotation of the Company's Shares on the Official List.

**Other Vendors** means the Vendors listed in Annexure B of this Notice of Meeting, excluding the Mangion Related Vendor.

**Post-consolidation Shares** means the Shares on issue after the Consolidation.

**Proposed Transaction** means the proposal for the acquisition by Latia Limited of shares in Freehill Investments Pty Ltd pursuant to the Purchase Agreement.

**Proposed Director** means Juan Enrique Dagach.

**Prospectus** means the prospectus to be issued by the Company as referred to in this Notice of Meeting and Explanatory Memorandum.

**Proxy Form** means the proxy form attached to the Notice.

**Purchase Agreement** means the sale and purchase agreement entered into between the Company, Freehill and the Vendors on or around 18 November 2015 in relation to the acquisition of all of the issued shares in Freehill Investments Pty Ltd, in consideration for the Company agreeing to issue to the Vendors the Consideration Shares pro rata to their respective shareholdings.

**Quotation** means official quotation as defined in the Listing Rules

**Recompliance** means reinstatement of fully paid ordinary shares in the Company to Quotation (except for any shares that may be designated as “restricted securities” under the Listing Rules) if required by ASX following the Company recomplying with Chapters 1 and 2 of the Listing Rules to the satisfaction of ASX.

**Related Party** has the meaning ascribed in the ASX Listing Rules.

**Related Vendors** means the Mangion Related Vendor and the Dagach Related Vendor.

**Relevant Interest** has the meaning given to that term in the Corporations Act.

**Regulatory Authority** means any government or local authority and any department, minister or agency of any government; and any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange (including ASX).

**Resolutions** means the resolutions put to the shareholders of the Company at the General Meeting to, amongst other things, approve the acquisition of all of the shares in Freehill Investments Pty Ltd and the change in nature and scale of the activities of the Company, and the Consolidation.

**Restricted Securities** means Shares classified by ASX as being subject to the restriction provision of the Listing Rules of ASX.

**Service Provider** means a provider of services to the Company.

**Service Provider Shares** means the 1,4200,000 new shares to be issued to the Service Provider.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Registry** means Computershare Investor Services Pty Limited.

**Shareholder** means the Company’s existing shareholders at the date of this Prospectus.

**Unrelated Vendors** means the Vendors, excluding the Related Vendors.

**Vendors** means all the holders of all the issued capital of Freehill, details of which are set out in Annexure B.

**Vendor Proportion** in respect of a Vendor, the number and proportion of Consideration Shares set out next to that Vendor’s name in Annexure B.

**Voluntary Restricted Securities** means 50% of the Consideration Shares which are issued to each them at Completion.

**Voting Power** the meaning given to that term in the Corporations Act.



## **ANNEXURE A – PRO FORMA STATEMENT OF FINANCIAL POSITION**

This section contains the Pro Forma Statement of Financial Position for the Company as a merged group with Freehill (**Merged Group**), reflecting the combined business of the Company and Freehill. The Pro Forma Statement of Financial Position is presented to provide Shareholders with an indication of the Merged Group's consolidated financial position as if the Proposed Transaction had been implemented as at 30 June 2015.

As the Proposed Transaction, if implemented, will be effected at a future date, the actual financial position of the Merged Group post implementation of the Proposed Transaction will differ from that presented below.

References to notes in the table presented below refer to the notes to pro forma adjustments set out in this section.

### **Basis of preparation**

The Pro Forma Statement of Financial Position is provided for illustrative purposes and is prepared in accordance with the recognition and measurement requirements of applicable Australian Accounting Standards on the assumption that the proposed transaction occurred on 30 June 2015.

The Pro Forma Statement of Financial Position is presented in an abbreviated form insofar as it does not contain all of the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports usually provided in an annual report prepared in accordance with the Corporations Act.

The Company is the legal acquirer (i.e. the parent company) and will be the reporting entity of the Merged Group. The accounting policies of the Merged Group used in the compilation of the Pro Forma Financial Information are based on those of the Company. A summary of the significant accounting policies of the Company is disclosed in the audited financial statements of the Company for the year ended 30 June 2015, available on ASX's website at [www.asx.com.au](http://www.asx.com.au).

Upon completion of the Proposed Transaction, the business purpose of the Company will have changed to that of the Merged Group resulting in the need to consider and/or adopt new accounting policies. Significant new accounting policies to be adopted by the Merged Group are outlined below.

No adjustments have been made in the Pro Forma Statement of Financial Position for any expected synergies or integration costs following the completion of the Proposed Transaction. Nor have any adjustments been made in the Pro Forma Statement of Financial Position for any one-off or non-recurring costs, other than those set out in the pro forma adjustments.

The functional and presentation currency of the Company (the reporting entity) is Australian dollars.

**Pro Forma  
Balance Sheet**

	<b>Audited 30-Jun-15</b>	<b>Projected Pro Forma (\$3.5 million capital raise)</b>	<b>Projected Pro Forma (\$5 million capital raise)</b>
<b>Current assets</b>			
Cash and cash equivalents	\$25,651	\$3,249,153	\$4,749,153
Trade and other receivables	\$4,846	\$4,846	\$4,846
Capital raising payments			
Other current assets			
<b>Total current assets</b>	<b>\$30,497</b>	<b>\$3,253,999</b>	<b>\$4,753,999</b>
<b>Non-Current Assets</b>			
Mining Tenements Capitalised		\$38,590,000	\$38,590,000
<b>Total non-current assets</b>	<b>-</b>	<b>\$38,590,000</b>	<b>\$38,590,000</b>
<b>Total assets</b>	<b>\$30,497</b>	<b>\$41,843,999</b>	<b>\$43,343,999</b>
<b>Current liabilities</b>			
Trade and other payables	-\$56,119	-\$56,119	-\$56,119
Borrowings		-\$1,000,000	-\$1,000,000
Provisions		\$0	\$0
Other		\$0	\$0
<b>Total current liabilities</b>	<b>-\$56,119</b>	<b>-\$1,056,119</b>	<b>-\$1,056,119</b>
<b>Non Current Liabilities</b>			
Convertible Note	-\$47,505	-\$179,465	-\$179,465
<b>Total non-current liabilities</b>	<b>-\$47,505</b>	<b>-\$179,465</b>	<b>-\$179,465</b>
<b>Total liabilities</b>	<b>-\$103,624</b>	<b>-\$1,235,584</b>	<b>-\$1,235,584</b>
<b>Net assets</b>	<b>-\$73,127</b>	<b>\$40,608,415</b>	<b>\$42,108,415</b>
<b>Equity</b>			
Contributed equity	\$16,821,001	\$57,826,503	\$59,326,503
Reserves	\$144,819	\$262,859	\$262,859
Accumulated losses	-\$17,038,947	-\$17,480,947	-\$17,480,947
Total parent entity interest in equity	-\$73,127	\$40,608,415	42,108,415
Total outside equity interest			
<b>Total equity</b>	<b>-\$73,127</b>	<b>\$40,608,415</b>	<b>\$42,108,415</b>

## ANNEXURE B – VENDORS

	Number and Proportion of Freehill Shares		Number and Proportion of latia Consideration Shares		
	Number of Freehill Shares	% Ownership in Freehill	Number of latia Consideration Shares	% Ownership in latia (assuming Minimum subscription)	% Ownership in latia (assuming Maximum subscription)
<b>Related Vendors</b>					
Mangion Related Vendor (R&A Mangion Pty Ltd ATF Stegman Superannuation Fund)	1,750,000	0.65%	3,500,000	0.59%	0.58%
Dagach Related Vendor (Smart Investment Chile Limited)	108,500,000	40.41%	217,000,000	36.68%	35.77%
<b>SUBTOTAL</b>	<b>110,250,000</b>	<b>41.06%</b>	<b>220,500,000</b>	<b>37.27%</b>	<b>36.35%</b>
<b>Unrelated Vendors</b>					
A Pepicelli	500,000	0.19%	1,000,000	0.17%	0.16%
Aegis Pty Ltd	18,840,000	7.02%	37,680,000	6.37%	6.21%
AIRLIE VIEWS PTY Ltd	1,000,000	0.37%	2,000,000	0.34%	0.33%
AKM Marlborough Pty Ltd ATFT Marlborough Family Trust	2,600,000	0.97%	5,200,000	0.88%	0.86%
AKM Marlborough Pty Ltd ATFT Mario Vinaccia Super Fund	500,000	0.19%	1,000,000	0.17%	0.16%
AKM Marlborough Pty Ltd ATFT M&M Vinaccia Family Trust	2,600,000	0.97%	5,200,000	0.88%	0.86%
Amcap Pty Ltd ATFT Mamina Family Trust	500,000	0.19%	1,000,000	0.17%	0.16%
Anastasia Abela	36,667	0.01%	73,334	0.01%	0.01%
Anastasia Koutsantonis	200,000	0.07%	400,000	0.07%	0.07%
Andrew Dickson	100,000	0.04%	200,000	0.03%	0.03%
Anthony Mavrias	500,000	0.19%	1,000,000	0.17%	0.16%
ATAS Corporation Pty Ltd ATFT A&W Tasiopoulos Superannuation Fund	500,000	0.19%	1,000,000	0.17%	0.16%
Aussie Merchandise Pty Ltd	1,500,000	0.56%	3,000,000	0.51%	0.49%
BPD (Aust) Pty Ltd	250,000	0.09%	500,000	0.08%	0.08%
Brits Enterprises	500,000	0.19%	1,000,000	0.17%	0.16%
Captain Tiger Pty Ltd ATFT Pepicelli Investment Trust	400,000	0.15%	800,000	0.14%	0.13%
Chilean Mining Nominees Pty Ltd	9,500,000	3.54%	19,000,000	3.21%	3.13%
Con Perkoulidis	100,000	0.04%	200,000	0.03%	0.03%
Con Petropoulos	200,000	0.07%	400,000	0.07%	0.07%
Craig Charter Investments Pty Ltd	2,500,000	0.93%	5,000,000	0.85%	0.82%
Daniela Bussolaro	200,000	0.07%	400,000	0.07%	0.07%
Danny Manolopoulos Superannuation Fund	190,000	0.07%	380,000	0.06%	0.06%
David Evan Phillips	250,000	0.09%	500,000	0.08%	0.08%
Diane Brown	35,000	0.01%	70,000	0.01%	0.01%
Dominic DiLucca	300,000	0.11%	600,000	0.10%	0.10%
Fogharty Superannuation Fund	450,000	0.17%	900,000	0.15%	0.15%

G & T Holding Limited	17,000,000	6.33%	34,000,000	5.75%	5.60%
Gavin Thompson &Serena Thompson ATF The Thompson Family Trust	300,000	0.11%	600,000	0.10%	0.10%
George Petropoulos	200,000	0.07%	400,000	0.07%	0.07%
Gordon Paul Martyn	100,000	0.04%	200,000	0.03%	0.03%
Guardian Blinds and Security Doors atf The Marinos Family Trust	50,000	0.02%	100,000	0.02%	0.02%
Harry Zorbas	36,666	0.01%	73,332	0.01%	0.01%
Helen Kyzintas	650,000	0.24%	1,300,000	0.22%	0.21%
HFC Super Investments Pty Ltd ATFT AM Superannuation Fund	500,000	0.19%	1,000,000	0.17%	0.16%
HKH Superfund Pty Ltd ATFT Hussein Family Superfund	500,000	0.19%	1,000,000	0.17%	0.16%
Hoka Holdings Pty Ltd ATFT Hoka Family Trust	500,000	0.19%	1,000,000	0.17%	0.16%
Intan Investments Pty Ltd	350,000	0.13%	700,000	0.12%	0.12%
Intan Investments Pty Ltd ATFT Intan Investments Superfund	650,000	0.24%	1,300,000	0.22%	0.21%
Ivan Rijevec	500,000	0.19%	1,000,000	0.17%	0.16%
J & A Konstantaras Superannuation Fund	850,000	0.32%	1,700,000	0.29%	0.28%
JAK Superannuation Fund	400,000	0.15%	800,000	0.14%	0.13%
Jasmine Richmond	500,000	0.19%	1,000,000	0.17%	0.16%
Jela & Miroslav Vasic	3,800,000	1.42%	7,600,000	1.28%	1.25%
Jia Jian Chen Ping Zhang itf C& Z Super Fund	100,000	0.04%	200,000	0.03%	0.03%
Jian Chen and Ping Zhang	50,000	0.02%	100,000	0.02%	0.02%
Jim Constantinou & David Schetzer	250,000	0.09%	500,000	0.08%	0.08%
JIM TEKTONOPOULOS ATF D.E.E. TEKTONOPOULOS FAMILY TRUST YBG Property Services	700,000	0.26%	1,400,000	0.24%	0.23%
Jimaralan Pty Ltd	250,000	0.09%	500,000	0.08%	0.08%
John Casey & Paula Casey AFT JSFC Superfund	450,000	0.17%	900,000	0.15%	0.15%
John Mavrias ATFT John Mavrias Family trust	8,085,000	3.01%	16,170,000	2.73%	2.67%
John Mavrias Superannuation Fund:	285,000	0.11%	570,000	0.10%	0.09%
Dionisios John Mavrias	250,000	0.09%	500,000	0.08%	0.08%
John Simmons ATF Essex Superannuation Fund	250,000	0.09%	500,000	0.08%	0.08%
Johnny Kandlecik	200,000	0.07%	400,000	0.07%	0.07%
Karl Johnsson Superannuation Fund	1,000,000	0.37%	2,000,000	0.34%	0.33%
Kathy Tsirogiannis	500,000	0.19%	1,000,000	0.17%	0.16%
Katirena Kapepanios	150,000	0.06%	300,000	0.05%	0.05%
Konstantinos Prassos	250,000	0.09%	500,000	0.08%	0.08%
Kostas Diakoumakos	250,000	0.09%	500,000	0.08%	0.08%
KTR Management	500,000	0.19%	1,000,000	0.17%	0.16%
Kyriakos Velos	150,000	0.06%	300,000	0.05%	0.05%
L.A Partners Pty Ltd ATF Infinity Blinds Superannuation Fund	550,000	0.20%	1,100,000	0.19%	0.18%
L.A.L Global Limited	7,000,000	2.61%	14,000,000	2.37%	2.31%
LA Radiotis Family Trust	7,900,000	2.94%	15,800,000	2.67%	2.60%
La Serena Holdings Pty Ltd	1,000,000	0.37%	2,000,000	0.34%	0.33%
Lazaros Lekakis and/or Nominees	3,510,000	1.31%	7,020,000	1.19%	1.16%
Leon Diakoumakos	250,000	0.09%	500,000	0.08%	0.08%

Maddan Investments Pty Ltd ATFT Maddan Investment Trust	250,000	0.09%	500,000	0.08%	0.08%
Mandy Kehaidis	700,000	0.26%	1,400,000	0.24%	0.23%
Manolopoulos Family Trust:	190,000	0.07%	380,000	0.06%	0.06%
Marina Prassos	250,000	0.09%	500,000	0.08%	0.08%
McIntyre Contracting Pty Ltd	250,000	0.09%	500,000	0.08%	0.08%
McKeddie Superfund	100,000	0.04%	200,000	0.03%	0.03%
MCRTS ATFT RMC Family Trust	600,000	0.22%	1,200,000	0.20%	0.20%
ME Radiotis Pty Ltd	2,100,000	0.78%	4,200,000	0.71%	0.69%
Messina Superfund	300,000	0.11%	600,000	0.10%	0.10%
Michael Iliou	100,000	0.04%	200,000	0.03%	0.03%
Mika Sugawara	100,000	0.04%	200,000	0.03%	0.03%
Nicholas Lambros	500,000	0.19%	1,000,000	0.17%	0.16%
Nicholas Potiriadis	36,667	0.01%	73,334	0.01%	0.01%
Nikolaos Angelopoulos	2,000,000	0.74%	4,000,000	0.68%	0.66%
NIST Enterprises Pty Ltd and/or Nominees	2,250,000	0.84%	4,500,000	0.76%	0.74%
Odel Investments Pty Ltd	12,640,000	4.71%	25,280,000	4.27%	4.17%
Paraskevi Theonas	550,000	0.20%	1,100,000	0.19%	0.18%
Paul Lou Pty Ltd atf McGuinness Superannuation Fund	130,000	0.05%	260,000	0.04%	0.04%
PAW Super ATFT PAW Superannuation Fund	500,000	0.19%	1,000,000	0.17%	0.16%
Pegasus Investments Pty Ltd ATFT Vinaccia Superfund	650,000	0.24%	1,300,000	0.22%	0.21%
Perentile Management Pty Ltd ATFT John Campbell Superannuation Fund	200,000	0.07%	400,000	0.07%	0.07%
Peter Maroudas	250,000	0.09%	500,000	0.08%	0.08%
Phillip Steinholdt	500,000	0.19%	1,000,000	0.17%	0.16%
PJ Morey Superfund ATFT PJ Morey SMSF	250,000	0.09%	500,000	0.08%	0.08%
Platinum Auto Cars Pty Ltd	1,250,000	0.47%	2,500,000	0.42%	0.41%
PM Pepicelli & L Pepicelli	1,500,000	0.56%	3,000,000	0.51%	0.49%
RACC Family Superannuation Fund	100,000	0.04%	200,000	0.03%	0.03%
Robert Wilson	50,000	0.02%	100,000	0.02%	0.02%
Silverstone Wealth Pty Ltd ATF Angelopoulos Family Trust	5,300,000	1.97%	10,600,000	1.79%	1.75%
Soper Pty Ltd	250,000	0.09%	500,000	0.08%	0.08%
Sopo Investment Limited	100,000	0.04%	200,000	0.03%	0.03%
Southage Pty Ltd ATFT Velos Superannuation Fund	500,000	0.19%	1,000,000	0.17%	0.16%
Stephanie Theonas	1,500,000	0.56%	3,000,000	0.51%	0.49%
Steven Galanos	500,000	0.19%	1,000,000	0.17%	0.16%
Strong Avenue Pty Ltd atf Family 7 Discretionary Trust	250,000	0.09%	500,000	0.08%	0.08%
Tagtown Pty Ltd ATFT Stoll Superannuation Fund	1,150,000	0.43%	2,300,000	0.39%	0.38%
Umberto Boffa	35,000	0.01%	70,000	0.01%	0.01%
V&F Holdings Pty Ltd	200,000	0.07%	400,000	0.07%	0.07%
Vertic Limited	10,000,000	3.72%	20,000,000	3.38%	3.30%
VKE Investments Pty Ltd	500,000	0.19%	1,000,000	0.17%	0.16%
WestDive Pty Ltd ATF The Westdive Coast Unit Trust	1,000,000	0.37%	2,000,000	0.34%	0.33%

Yvonne Spathis	500,000	0.19%	1,000,000	0.17%	0.16%
ZS Consulting Pty Ltd	2,350,000	0.88%	4,700,000	0.79%	0.77%
Simon Micarone	250,000	0.09%	500,000	0.08%	0.08%
Sam Ali	500,000	0.19%	1,000,000	0.17%	0.16%
Mellifluous Pty Ltd atf Bear Family Trust	50,000	0.02%	100,000	0.02%	0.02%
<b>SUBTOTAL</b>	<b>158,250,000</b>	<b>58.94%</b>	<b>316,500,000</b>	<b>53.49%</b>	<b>52.17%</b>
<b>TOTAL</b>	<b>268,500,000</b>	<b>100.00%</b>	<b>537,000,000</b>	<b>90.76%</b>	<b>88.52%</b>

**ANNEXURE C – INDEPENDENT EXPERT’S REPORT**

18 November 2015

The Directors  
Iatia Limited  
Level 1, 61 Spring Street  
MELBOURNE VIC 3000

Dear Sirs,

**Independent Expert's Report on the Proposal to acquire 100% of the Issued Share Capital of Freehill Investments Pty Ltd**

**1. INTRODUCTION**

***Background***

- 1.1 Iatia Limited ("Iatia" or "the Company") is an Australian public listed company. Iatia has no current business activity and has been seeking suitable opportunities in the mining and resource sector to provide future value to shareholders.
- 1.2 Iatia has entered into an agreement to acquire 100% of the issued capital of Freehill Investments Pty Ltd ("Freehill"). Freehill is a privately held company owning 100% of each of Yerbas Buenas Spa and San Patricio Spa (collectively "YB"), which own iron ore tenements in Chile. Freehill was incorporated in May 2014 to invest in Chilean resource opportunities.
- 1.3 The acquisition of Freehill by Iatia and related resolutions detailed in section 2, is referred to in this report as the "Transaction". The Transaction involves the issue of shares in the Company to Freehill Shareholders, and constitutes a significant change in the nature and scale of the Company's activities.
- 1.4 If the Transaction is approved, Freehill Shareholders will acquire a relevant interest in the issued voting shares of Iatia in excess of 20%.

***Opinion***

- 1.5 In our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of Iatia.
- 1.6 The ultimate decision however on whether to accept the Transaction should be based on shareholders own assessment of their circumstances.

***Purpose of Report***

- 1.7 You have requested Hall Chadwick Corporate (NSW) Limited ("HCC") to prepare an Independent Expert's Report to advise

HALL CHADWICK  
CORPORATE (NSW) LIMITED

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A member of AGN  
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worldwide association of  
separate and independent  
accounting and consulting  
firms



shareholders of Iatia, other than those associated with the proposed issue of Iatia shares to Freehill Shareholders (“Non-Associated Shareholders”), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.

- 1.8 HCC understands and has agreed that this report will be included in or accompany the notice to convene a meeting of Iatia shareholders, to assist the Non-Associated Shareholders in their consideration of the proposed Transaction.

## 2. OUTLINE OF THE PROPOSED TRANSACTION

- 2.1 The Transaction involves the Company's acquisition of 100% of the issued capital of Freehill through the issue of 537,000,000 shares in Iatia (on a post consolidation basis).
- 2.2 Freehill owns 100% of YB, which own iron ore tenements in Chile. Further information on the corporate structure of Freehill is included at section 6.
- 2.3 As a condition of the Transaction, Iatia will also seek to undertake a capital raising of not less than \$3,500,000 and up to \$5,000,000 by way of a public offer under a prospectus for the issue of a minimum of 35,000,000 shares and maximum of 50,000,000 shares at \$0.10 per share ("Capital Raising").
- 2.4 Other interdependent resolutions to be put to shareholders include:
- The consolidation of the existing share capital of Iatia on the basis of 1 share for every 222 shares currently held;
  - Change to the nature and scale of the Company's activities;
  - The name of the Company be changed to Freehill Mining Limited;
  - The appointment of new directors to the Iatia Board as nominated by Freehill;
  - The issue of 1,420,000 shares at a deemed issue price of \$0.10 per Share (on a post Consolidation basis) to service providers in lieu of fees totalling \$142,000 in relation to the Transaction;
  - The issue of 3,000,000 shares at a deemed issue price of \$0.10 per Share (on a post Consolidation basis) to Directors in lieu of directors fees totalling \$300,000.
- 2.5 Convertible Notes on issue in the Company with a total value of \$297,505 will also convert into 2,015,411,974 ordinary shares pre consolidation (9,078,432 shares post consolidation) as part of the Transaction. The value of Convertible Notes comprises liabilities as at 30 June 2015 of \$47,505 plus loans advanced by a number of professional and sophisticated investors after that date for an aggregate value of \$250,000.
- 2.6 The following tables show the effect on the share capital of Iatia after the Transaction and Capital Raising:

Effect on Ordinary Shares	Number of Shares	Freehill Shareholders
Ordinary shares currently on issue (pre consolidation)	1,363,346,543	
Shares to be issued on conversion of Convertible Notes	2,015,411,974	
Fully diluted Shares on issue in the Company (pre consolidation)	3,378,758,517	
Fully diluted Shares on issue post consolidation	15,219,633	
Consideration Shares issued to acquire Freehill	537,000,000	537,000,000
Shares issued to service providers in lieu of fees	1,420,000	
Shares issued to Directors in lieu of Directors fees	3,000,000	
Shares on issue immediately following Transaction Completion	<b>556,639,633</b>	<b>96.47%</b>
Minimum shares issued pursuant to Capital Raising	35,000,000	
Minimum ordinary shares on issue upon relisting	<b>591,639,633</b>	<b>90.76%</b>

- 2.7 When the Transaction is approved and completed, Freehill Shareholders will be entitled to a combined relevant interest of up to 90.76% of Iatia's issued ordinary shares, following completion of the minimum Capital Raising.
- 2.8 Iatia's existing shareholders voting interest will decrease from 100% to 2.57% as a result of the Transaction, prior to any existing shareholders participating in the Capital Raising, or down to 2.57% if the maximum Capital Raising is achieved.

## **STRUCTURE OF REPORT**

Our report is set out under the following headings:

- 3 PURPOSE OF REPORT
- 4 OPINION
- 5 BASIS OF EVALUATION
- 6 BACKGROUND
- 7 OVERVIEW OF FREEHILL
- 8 OVERVIEW OF IATIA
- 9 VALUATION METHODOLOGIES
- 10 VALUE OF FREEHILL
- 11 VALUE OF IATIA
- 12 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 13 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

## **APPENDICES**

- I SOURCES OF INFORMATION
- II EXTRACTS FROM THE GEOLOGIST'S REPORT ON THE MINERAL PROPERTIES OF FREEHILL
- III STATEMENT OF DECLARATION & QUALIFICATIONS
- IV FINANCIAL SERVICES GUIDE

### **3 PURPOSE OF REPORT**

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of Iatia of the fairness and reasonableness of the Transaction.
- 3.2 This report provides an opinion on whether or not the terms and conditions in relation to the transaction are fair and reasonable to the Iatia shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).
- 3.3 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.4 For the Transaction to be fair, the value of the Freehill shares being acquired must be equal to or greater than the value of the consideration, being Iatia shares. To be reasonable the shareholders must obtain an overall benefit if the transaction proceeds. In forming an opinion as to whether the Transaction is fair and reasonable, the following factors have been considered:
- the underlying value of Iatia shares to be issued as consideration to Freehill Shareholders;
  - the underlying value of Freehill shares to be acquired by Iatia;
  - the likely market price and liquidity of Iatia shares if the Transaction is not implemented;
  - the likelihood of an alternative proposal that may realise better value for Iatia Shareholders.
- 3.5 This report has been prepared to satisfy the requirements of the Corporations Act 2001 (Cth) ("Corporations Act") and the Australian Stock Exchange ("ASX") Listing Rules.

#### **Corporations Act Requirements**

- 3.6 If the Transaction is approved, Freehill Shareholders will be entitled to a possible 90.76% voting interest in Iatia's issued ordinary shares.
- 3.7 Section 606(1) of the Corporations Act states that a person must not acquire an interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%. Section 606(1) prohibits Freehill shareholders from acquiring the issued ordinary shares in Iatia under the Transaction, unless one of the exemptions set out in Section 611 of the Corporations Act applies.
- 3.8 Item 7 of Section 611 of the Corporations Act exempts an acquisition that is approved by a resolution of shareholders of Iatia passed at a general meeting as per Section 611. This is the exception which is being relied upon by the Iatia shareholders. At the general meeting of Iatia no votes will be allowed to be cast by those persons (or their associates) acquiring shares under the Transaction (that is, the existing shareholders of Freehill).

- 3.9 Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 “Content of Expert Reports” requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert’s report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

### **ASX Listing Rules**

- 3.10 ASX Listing Rule 7.1 states that without the approval of holders of ordinary shares, an entity must not issue or agree to issue more equity securities than the number calculated according to the following formula:

$$(A \times B) - C$$

Where:

A = The number of fully paid ordinary securities on issue 12 months prior to the date of agreement;

- Plus the number of fully paid ordinary securities issued under an exception in ASX Listing Rule 7.2,
- Plus the number of partly paid ordinary securities that became fully paid in the 12 months,
- Plus the number of fully paid ordinary securities that become fully paid in the 12 months with approval of ordinary security holders under ASX Listing Rule 7.1,
- Less the number of fully paid ordinary securities cancelled in the 12 months.

B = 15%

C = The number of equity securities issued or agreed to be issued in the 12 months before the date of the issue or agreement to issue but under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

- 3.11 The issue of ordinary securities under the Transaction will result in an issue of Iatia ordinary securities greater than allowed under the above formula. Accordingly, under ASX Listing Rule 7.1 Iatia must obtain approval from the holders of the ordinary shares.
- 3.12 The Transaction constitutes a significant change in the nature and scale of the Company’s activities. ASX Listing Rule 11.1 sets out the requirements an entity must adhere to when undergoing a change to the nature or scale of their activities. The entity must provide the ASX with information regarding the change and its effect on future potential earnings and must ensure approval is obtained from the shareholders to effect the change of activities. The Transaction is such a proposed change. ASX Listing Rule 11 does not specifically require the notice to include or be accompanied by a copy of an independent expert’s report commenting on the issue.

## 4. OPINION

4.1 In our opinion, the proposed Transaction to acquire all of the issued shares of Freehill through the issue of Iatia shares is fair and reasonable to the Non-Associated Shareholders of Iatia.

4.2 Our opinion is based solely on information available as at the date of this report.

4.3 The principal factors that we have considered in forming our opinion are summarised below.

### *Fair*

4.4 According to RG 111, for the Transaction to be fair, the value of the Freehill shares being acquired must be equal to or greater than the value of the consideration, being Iatia shares.

4.4.1 Based on the analysis contained in section 10 of this report, the indicative value of 100% of Freehill is between \$94,917,490 and \$123,317,490, with a midpoint value of **\$109,117,490**.

4.4.2 Based on the analysis contained in section 11 of this report, the value of the shares being issued by Iatia for 100% of Freehill is between \$0.053 and \$0.070, with a midpoint of \$0.061 on a controlling interest basis.

4.4.3 Our valuation of Iatia shares is based on a value prior to the Transaction on a controlling interest basis. In order to assess whether the Transaction is fair, we need to compare the pre-transaction values on a control basis with the post-transaction values on a minority basis, as the existing Non-Associated Shareholders of Iatia will lose control of the Company to the Freehill Shareholders after the Transaction. This is shown in the table below:

<b>Iatia Value and Opinion</b>	<b>Low</b>	<b>High</b>	<b>Midpoint</b>
<b>Control value per share</b>	<b>0.053</b>	<b>0.070</b>	<b>0.061</b>
Shares currently on issue (post consolidation)	6,141,201	6,141,201	6,141,201
Control valuation of Iatia, pre-Transaction	326,873	426,873	376,873
Debt retired from Conversion of Convertible Notes <sup>1</sup>	47,505	47,505	47,505
Valuation of Freehill	94,917,490	123,317,490	109,117,490
Minimum Proceeds from Capital Raising	3,500,000	3,500,000	3,500,000
<b>Post-Transaction Value</b>	<b>98,791,868</b>	<b>127,291,868</b>	<b>113,041,868</b>
Post-Transaction shares on issue	591,639,633	591,639,633	591,639,633
<b>Value per share</b>	<b>0.167</b>	<b>0.215</b>	<b>0.191</b>
Minority discount <sup>refer section 9.3</sup>	10%	10%	10%
<b>Post-Transaction Valuation per share</b>	<b>0.150</b>	<b>0.194</b>	<b>0.172</b>

<sup>1</sup> We have only added the value of converting the Convertible Notes on issue as at 30 June 2015 of \$47,505 as the funds raised from the issue of Convertible Notes after that date of \$250,000 have been expensed or applied to working capital of the Company and therefore have not necessarily added to the value of Iatia shares.

- 4.5 A condition precedent of the Transaction is that Iatia will raise not less than \$3,500,000 by way of a Capital Raising from the issue of 35,000,000 shares at \$0.10 per share, which is above the current value of the Iatia shares.
- 4.6 In our opinion the Transaction is **fair** as the valuation of the Iatia shares held by Non-Associated Shareholders increases as a result of the Transaction.

***Reasonable***

- 4.7 ASIC Regulatory Guide 111 states that a transaction is reasonable if:
- The Transaction is fair; or
  - Despite not being fair the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.
- 4.7.1 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors:
- Given the Company's limited capital and lack of income producing assets it will have difficulty in creating significant long-term value for shareholders in its current state. The Directors of Iatia have determined that Freehill has the potential to increase Iatia shareholder value and provide the Company with a future business direction. Based on currently available information, the Directors are of the view that the Freehill assets, being its 100% interest in YB, have significant potential to provide commercially-valuable mineral deposits, which are supported by two off-take agreements, one with Chile's largest iron producer.
  - The Directors consider that the current board and management team of Freehill possess the experience and skills required to successfully transition the Company into its proposed new business in the mining sector.
  - The Transaction will increase the market capitalisation of the Company and provide increased liquidity of the Company's Shares, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.
  - The Capital Raising is a condition of the Transaction and will provide the necessary funds to invest in Freehill's YB iron ore mine in Chile and conduct a drilling program to establish JORC compliant reserves and expand the overall resource base of the YB assets.
  - The Iatia Board are of the opinion that the Transaction is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is a strategic opportunity for the Company to continue as a going concern.
  - We are unaware of any alternative proposal at the date of this report that may realise better value for Iatia shareholders.

Having considered that the Transaction is fair, the potential of the Freehill assets, and the alternatives of not proceeding with the Transaction, in our opinion the Shareholders of Iatia should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is reasonable.

- 4.8 *Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of Iatia.*



## **5 BASIS OF EVALUATION**

- 5.1 In our assessment of whether the Transaction is fair and reasonable to Iatia Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Approved by Members”, Regulatory Guide 111 “Content of Expert Reports” and Regulatory Guide 112 “Independence of Experts”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired (in this case 100% of the equity in Freehill) is equal to or greater than the value of the consideration being offered (in this case, Iatia shares). Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair. It is possible for an offer to be reasonable despite being unfair. This would be after the expert considers that, based on non-financial factors, the shareholders should still approve the Transaction in the absence of any alternative proposals.
- 5.3 Our report has compared the likely advantages and disadvantages to non-associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the shares to be acquired under the Transaction and the value of the consideration to be paid is only one element of this assessment.
- 5.4 We have considered whether any shareholder will obtain a level of control in Iatia as a result of the proposed Transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case Freehill Shareholders will obtain control of Iatia and this issue needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being paid.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of 100% of the equity of Freehill and Iatia.
- 5.6 In evaluating the Transaction, we have considered the value of the Freehill shares being acquired and compared this to the amount of consideration to be paid through the issue of Iatia shares for this acquisition. We consider that the Transaction will be reasonable if, on balance, the Non-Associated Shareholders in Iatia will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 5.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of Freehill and Iatia;
  - The value of Freehill shares, under various methodologies;
  - The value of Iatia shares, under various methodologies;

- Any control premium associated with the Transaction;
  - The advantages and disadvantages associated with approving the Transaction;
  - Share trading history of Iatia shares;
  - The likely value and liquidity of Iatia shares in the absence of the acquisition;
  - Other qualitative and strategic issues associated with the Transaction.
- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.
- 5.9 We understand the accounting and other financial information provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.11 HCC are not the auditors of Iatia or Freehill. We have analysed and reviewed information provided by the Directors and management of Iatia and made further enquiries where appropriate.
- 5.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report. To the extent we become aware of a material change in circumstances since the date of our report, we will issue a supplementary report at the request of Iatia if so required.

## **6 BACKGROUND**

- 6.1 Iatia has no current business activity and its shares have been suspended from trading since 18 January 2010. Further information on Iatia's business operations and financials can be found at Section 8 of this report.
- 6.2 In January 2015 Origami Equities Pty Ltd ("Origami") acquired a controlling interest (61.94%) in the Company through the purchase of 844,447,112 shares for cash consideration of \$195,000. Origami conducted a review of Iatia's operations and identified a number of suitable opportunities in the mining and resource sector.
- 6.3 Freehill was incorporated in May 2014 to direct investment funds to Chilean resource opportunities. Freehill owns 100% of Yervas Buenas Spa and San Patricio Spa, Chile based iron ore companies. Further information on Freehill and the YB assets is detailed at Section 7 of this report.
- 6.4 Lacerta Spa is a company engaged by Freehill to identify, investigate and execute development of resource opportunities within Chile. Lacerta currently operates the YB project under a contract mining agreement with YB. Lacerta has had a presence in Chile since 2011.
- 6.5 Iatia proposes to acquire 100% of Freehill through the issue of Iatia shares. The proposed acquisition of Freehill constitutes a significant change in the nature and scale of the Company's activities of the type contemplated by Chapter 11 of the ASX Listing Rules. As a result of changing the nature of its activities, various aspects of the transaction will need to be approved by Shareholders and the requirements of Chapters 1 and 2 of the ASX Listing Rules will need to be complied with.
- 6.6 The Iatia board believes the Transaction represents an attractive opportunity to acquire a large scale iron ore operation with the potential to generate significant shareholder value in the future.

## 7. OVERVIEW OF FREEHILL

### 7.1 Company and Industry Overview

- 7.1.1 Freehill owns 100% of Yerbas Buenas Spa and San Patricio Spa (collectively “YB”). YB owns iron ore tenements which have been assessed in a geological report prepared by Jose Astudillo Rodriguez in connection with the Transaction dated 23 September 2015 (the “Geologist Report”). The Geologist Report was commissioned by Alamin Minería SpA (“AMS”), a business advisory firm based in Chile. Qualifications of the author of the Geologist Report, Jose Astudillo Rodriguez, are included at section 7.2.4 below.
- 7.1.2 Through Yerbas Buenas Spa, Freehill has in place two off-take agreements. One is with Compañía Minera Del Pacifico S.A., (“CAPS”), Chile’s largest iron producer. The other is with a concrete company called Melon Cementos (“Melon”). We understand from management that under the terms of these off-take agreements, the two parties together will purchase as much as YB can produce, with payment as per the following formula:  
Payment = (60% of Platts North China 62% iron price) +/- ( Bonus/Penalty for Platts price variation at time of delivery) – (Cape Size Shipping cost Brazil to China +\$2 handling) – (1-moisture %) – (Penalty for Contaminants).

### 7.2 Geologist Report

- 7.2.1 The Geologist Report is an evaluation of the mineral resources of YB. The Geologist Report gives the results of the exploration of magnetite in sand and rock within the mining assets of YB.
- 7.2.2 The Geologist Report has been relied upon by HCC in assessing the market value of assets held by Freehill, to be acquired by Iatia. Jose Astudillo Rodriguez and AMS have provided their consent for the use of the Geologist Report for this purpose.
- 7.2.3 Extracts from the Geologist Report regarding the YB project is included at Appendix II.
- 7.2.4 Following is an extract from the Geologist Report on the qualifications, experience and independence of the AMS author:  
**“Qualifications and experience:** The author of the Geologist Report was José Pablo Astudillo Rodríguez, geologist and MBA. José Astudillo has 15 years of experience in geology exploration and evaluation of mining properties, worked for 11 years in large multinational companies (Codelco, Angloamerican and Teck) evaluating its mines and projects. For the last 7 years he has worked in various mining companies and explored the Region of Coquimbo for copper-gold and iron projects. He has received awards and recognition at various companies where he worked, including the recognition by Angloamerican for having participated in the discovery of the Los Sulfatos deposit which won the PDAC Discovery Award for the year 2010. Mr Astudillo completed his studies in geology at the Catholic University of the North, Chile, in 2001 and completed a postgraduate degree in administration (MBA) at the Catholic University of the North, Chile, in 2012 (with distinction).

**Independence:** I have no interest in becoming a Director, and have no material interest in the project or the company's stock. My relationship with the company is a professional

relationship as an independent consultant. Reviewing the work and this report is prepared in exchange for a fee based on a contract and the payment of this fee is not related to the results of this report.”

7.2.5 Following is an extract from the Geologist Report on the YB location and geology:

The project Yerbas Buenas is located 30 km North of the city of La Serena, IV Region of Coquimbo, the license area has an approximate area of 398 hectares. Access to the project is made through route 5 North, to the access road to the caleta (cove) of the town of Chungungo, where you travel 3 km west along a gravel road in good condition, where you access a detour to the South for 0.8 km, until you reach the Yerbas Buenas project.

District geology consists of a sequence of volcanic rocks, named the Bandurrias Formation of Cretaceous age, intruded by Granites of central Cretaceous age, and overlaid by marine sedimentary rocks of the tertiary Coquimbo formation. The Yerbas Buenas project is located 20 km south of the Mining Project "Dominga", in which over 1,000 million tonnes of iron ore have been proven, at an average grade of 26%.

### 7.3 Financial Information

7.3.1 Detailed below is the unaudited balance sheet of Freehill as at 30 June 2015:

<b>Balance Sheet as at 30 June 2015</b>	
<b><u>CURRENT ASSETS</u></b>	
Cash and cash equivalents	1,490
GST receivable	14,200
	<b>15,690</b>
<b><u>NON-CURRENT ASSETS</u></b>	
Unrealised investments at cost	3,831,032
	<b>3,831,032</b>
<b>TOTAL ASSETS</b>	<b>3,846,722</b>
<b><u>CURRENT LIABILITIES</u></b>	
Trade and other creditors	298,200
	<b>298,200</b>
<b>TOTAL LIABILITIES</b>	<b>298,200</b>
<b>NET ASSETS</b>	<b>3,548,522</b>
<b><u>EQUITY</u></b>	
Issued capital	3,951,417
Accumulated losses	(402,895)
<b>TOTAL EQUITY</b>	<b>3,548,522</b>

7.3.2 The unrealised investments at cost of \$3,831,032 represent capitalised cash costs associated with acquiring and developing the YB assets.

7.3.3 Freehill has not earned any revenues from the business. The table below shows its results for the financial years ended 30 June 2014 (“FY2014”) and 30 June 2015 (“FY2015”).

<b>Income Statements</b>	<b>FY2014</b>	<b>FY2015</b>
<b>Total income</b>	-	-
<b>Expenses</b>		
Bank fees and charges	51	1,195
Consultancy fees	11,500	232,700
Travel, accommodation & conferences	-	15,449
<b>Total expenses</b>	<b>11,551</b>	<b>249,344</b>
<b>Net profit before tax</b>	<b>(11,551)</b>	<b>(249,344)</b>

## 8. OVERVIEW OF IATIA

### 8.1 Corporate Overview

8.1.1 Iatia was officially listed on the ASX in April 2002 and has operated various businesses during its history. Its shares were suspended from trading on 18 January 2010 after its last business activities ceased.

### 8.2 Financial Information

8.2.1 Iatia has not undertaken any business for a number of years and only incurred nominal expenses associated with the administration of the shell company. Iatia incurred net losses from operations of \$272,494 in FY2013, \$386,056 for FY2014 and \$193,054 for FY2015. Other comprehensive income included in FY2015 of \$1,012,567 related to the forgiveness of loans payable.

8.2.2 Set out below is the Balance Sheet of Iatia as at 30 June 2015, unaudited as at the date of this report.

<b>CONSOLIDATED BALANCE SHEET</b>	
	<b>As at 30 June 2015</b>
<b><u>CURRENT ASSETS</u></b>	
Cash and cash equivalents	25,651
Trade and other receivables	4,846
	<u>30,497</u>
<b>TOTAL ASSETS</b>	<b>30,497</b>
<b><u>CURRENT LIABILITIES</u></b>	
Trade and other payables	56,119
	<u>56,119</u>
<b><u>NON-CURRENT LIABILITIES</u></b>	
Convertible Note	47,505
	<u>47,505</u>
<b>TOTAL LIABILITIES</b>	<b>103,624</b>
<b>NET ASSETS</b>	<b>(73,127)</b>
<b><u>EQUITY</u></b>	
Issued capital	16,821,001
Reserves	143,394
Accumulated losses	(17,037,522)
<b>TOTAL EQUITY</b>	<b>(73,127)</b>

8.2.3 Convertible Notes on issue in the Company shown in liabilities as at 30 June 2015 will convert into ordinary shares as part of the Transaction.

## 9 VALUATION METHODOLOGIES

### 9.1 Selection of Methodology

9.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to Iatia shares and Freehill shares.

9.1.2 In assessing the value of Iatia and Freehill we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Discounted Cash Flow: the net present value of future cash flows;
- Comparable Market Transactions: the identification of comparable sale transactions.

We consider each of these valuation methodologies below.

#### 9.1.3 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- The liquidity of the quoted equity based on the volume and frequency of trading;
- The number of ‘unusual’ and/or ‘abnormal’ trades that occur; and
- The timing and level of dissemination of information to the market.

If quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the ‘fair’ market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

This method is not appropriate for Iatia or Freehill as neither of their shares are currently publicly traded.

#### 9.1.4 *Realisation of Assets*

The net assets or cost based approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value



of the entity. The net asset value is determined by marking every asset and liability on and off the company's balance sheet to current market values.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital. It is often used as a cross check to assess the relative riskiness of the business.

As Iatia has no income producing assets, the notional realisation of assets has been adopted to assess the value of Iatia shares, inclusive of a control premium for the value of its public listing.

Freehill is in their early stages of asset development with no history of earnings. The main assets of the Company are the prospective exploration areas held by YB. The notional realisation of assets is therefore an appropriate valuation method.

For the purpose of this report we are relying upon the Geologist Report issued on 23 September 2015. The AMS report provides a valuation of the mineral assets of YB.

We have satisfied ourselves as to qualifications and independence of AMS from Iatia and Freehill and have placed reliance on their report.

#### *9.1.5 Capitalisation of Future Maintainable Earnings*

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiple of earnings. The multiple is a coefficient, representing the risk that the business may not achieve forecast earnings. This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

This method is not considered appropriate for the valuation of Iatia as:

- Iatia does not have any recent historical earnings on which to base a valuation;
- The company has previously been involved in services which do not relate to the proposed business activity.

This method is not considered appropriate for the valuation of Freehill as the assets it holds are not currently contributing to earnings. It therefore does not have any historical earnings on which to base a valuation.

#### *9.1.6 Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flows that will be earned from the business over its life. The cash flows are discounted to reflect the risk involved with achieving the forecast cash flows.

Management of Freehill are unable to forecast future cash flows from its assets with sufficient confidence and verification without the use of an industry expert.

Neither Freehill nor Iatia have prepared forecast cash flows, therefore a value cannot be placed on Iatia or Freehill using the discounted cash flow method.

The future profits of Freehill are dependent on the successful exploration and development of its YB assets. The valuation of YB mineral resources in the Geologist Report adopts a cash flow valuation approach, as summarised in Appendix II.

#### 9.1.7 *Comparable Market Transactions*

This methodology involves the identification of comparable sale or equity raising transactions for similar businesses to that being valued.

We have determined that this method is not considered appropriate for valuing Iatia or Freehill due to the following:

- i. Lack of historical or current results as a basis for applying a comparable multiple of revenues or earnings;
- ii. Lack of share transactions with non-related parties in either company on which to apply a comparable transactions approach.

#### 9.1.8 *Financial information relied upon in applying selected valuation methods*

We have reviewed financial information for Iatia and Freehill to the extent available. Ultimately, the management of the respective companies are responsible for the preparation and presentation of the financial information provided. The purpose of our review is to establish that the financial information used is not materially misstated. This review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## **9.2 Premium for Control**

9.2.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the Transaction. A premium for control is the difference between the price for each share that a buyer would be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the listed market value of the shares. This reflects the fact that:

- a) the owner of a controlling interest in the shares in a company obtains access to all free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder;
- b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;
- c) the controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company;
- d) the entity taking over the company is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

9.2.2 Empirical evidence indicates that the average premium for control (over and above the

market price of the company's shares) in successful takeovers in Australia generally range between 20% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). However, the appropriate premium for control depends on the specific circumstances and, in particular, the level of synergy benefits able to be extracted by potential acquirers and the degree of confidence about the level and achievability of potential synergies and their timing.

- 9.2.3 Caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply a premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through a capital raising.
- 9.2.4 A shareholder or group of associated shareholders are deemed to influence a company when they have control of more than 20% of the issued shares in a company. At this time a premium for control should normally be considered.
- 9.2.5 A premium for control is relevant to the Transaction, as it will result in Freehill Shareholders being entitled to a voting interest of up to 90.76% of Iatia's issued ordinary shares. We have included a premium for control in valuing the Company's listing when applying the net realisation of assets method, as a proxy for the value of a public listed company.

### **9.3 Minority Interest Discount**

- 9.3.1 The value of a minority shareholding is subject to a discount factor as the minority shareholder is not in a position to direct, and often not in a position to influence, the distribution of dividends, the investment of retained profits or the strategy or tactics of the company's operations.
- 9.3.2 The Transaction will result in the dilution of current Non-Associated Shareholders' ownership percentages from 100% to 2.57%. We have discounted the post-Transaction value per share on a control basis by 10% to arrive at a post-Transaction value on a minority basis. We believe this discount is reasonable after considering the following factors:
- a) Iatia will have no other business activity immediately prior to completion of the Transaction. There are no profitable operations in which Non-Associated shareholders are losing control of;
  - b) The assessment of advantages and disadvantages associated with Iatia entering into the Transaction detailed at section 12.

## 10 VALUE OF FREEHILL

### 10.1 General

10.1.1 This section sets out our assessment of the underlying value of Freehill.

10.1.2 We have selected the realisation of assets as the valuation methodology for Freehill as detailed in section 9.

10.1.3 We are of the opinion that a secondary valuation methodology for Freehill is not required as none of the alternate methodologies are appropriate due to the fact that the assets held by Freehill are not currently contributing to earnings.

### 10.2 Realisation of Assets

10.2.1 For the purpose of this report we are relying upon the Geologist Report issued on 23 September 2015, which provides a valuation of the YB resource assets, of which Freehill holds a 100% interest.

10.2.2 Considering all the information that has been presented in the Geologist Report, the management of Yerbas Buenas generated a future economic assessment for the YB project in the medium and long term. This assessment was based on several assumptions and financial market variables such as projected prices for iron, interest rates, exchange rates, increased costs in terms of increased production, etc. The assumptions underlying the valuation contained in the Geologist Report are included at Appendix II.

10.2.3 As stated on page 30 of the Geologist Report, “my valuation of the Yerbas Buenas Project, based solely on the current production process and a resource of 60 million tonnes of iron sands, falls into a range between AU\$95.2 million and AU\$123.6 million.

10.2.4 Freehill has net assets as at 30 June 2015 of \$3,548,522 as detailed at section 7.3. This includes investments at cost of \$3,831,032 relating to acquiring and developing the YB assets. The table below shows the value of 100% of Freehill on a net realisation of assets basis after replacing the book value of the YB assets with its market value:

	<b>Low</b>	<b>High</b>	<b>Midpoint</b>
Net assets as at 30 June 2015	3,548,522	3,548,522	3,548,522
Less Investment at cost	(3,831,032)	(3,831,032)	(3,831,032)
Add Market Value of YB Investment	<u>95,200,000</u>	<u>123,600,000</u>	<u>109,400,000</u>
<b>Value of 100% of Freehill</b>	<b>94,917,490</b>	<b>123,317,490</b>	<b>109,117,490</b>

10.2.5 Based on the analysis above, the indicative value of 100% of Freehill is between \$94,917,490 and \$123,317,490, with a midpoint value of **\$109,117,490**.

## 11 VALUE OF IATIA

### 11.1 General

11.1.1 This section sets out our assessment of the underlying value of Iatia shares.

11.1.2 We have selected the realisation of net assets as the valuation methodology for Iatia as detailed in section 9. As the company has no current business operations and their shares are suspended from trading there is no secondary valuation methodology available.

### 11.2 Realisation of Assets

11.2.1 Iatia has no current business activity. The notional realisation of assets is therefore an appropriate valuation method for Iatia.

11.2.2 As at 30 June 2015 the Company had a deficit in net assets totalling \$73,127, as shown in the balance sheet at section 8.2.2.

11.2.3 The value of a listed company varies depending on the subsequent regulatory requirements, including necessary compliance with ASX listing requirements. The ASX Listing Rules will require Iatia to reapply for listing following completion of the Transaction, which will require Iatia to meet ASX listing requirements. Considering the current situation of the Company, the absence of other offers available, the relisting requirements should the Transaction proceed, and our experience concerning the values placed on listed shells, we have allocated a value range for the listed company shell of \$400,000 - \$500,000, which also represents a premium for control. The Company's shares are currently suspended which reduces the valuation for the listed company shell. The net asset value of Iatia on a controlling interest basis is as follows:

	<b>Low</b>	<b>High</b>
Net assets	(73,127)	(73,127)
Value of listing	<u>400,000</u>	<u>500,000</u>
<b>Net realisable value</b>	<b>326,873</b>	<b>426,873</b>

11.2.4 Iatia currently has 1,363,346,543 ordinary shares on issue, or 6,141,201 on a post-consolidation basis. This equates to a net asset value per share of between \$0.053 and \$0.070, with a midpoint of \$0.061 on a post consolidation, controlling interest basis.

## **12 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION**

### **12.1 Approach to assessing Fairness and Reasonableness**

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

### **12.2 Advantages of the Transaction**

- 12.2.1 Given the Company's limited capital and lack of income producing assets it will have difficulty in creating significant long-term value for shareholders in its current state. The Directors of Iatia have determined that Freehill has the potential to increase Iatia shareholder value and provide the Company with a future business direction. Based on currently available information, the Directors are of the view that the Freehill assets, being its 100% interest in YB, have significant potential to provide commercially-valuable mineral deposits, which are supported by two off-take agreements, one with Chile's largest iron producer.
- 12.2.2 The Directors consider that the current board and management team of Freehill possess the experience and skills required to successfully transition the Company into its proposed new business in the mining sector.
- 12.2.3 The Transaction will increase the market capitalisation of the Company and provide increased liquidity of the Company's Shares, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.
- 12.2.4 The Capital Raising is a condition of the Transaction and will provide the necessary funds to invest in Freehill's YB iron ore mine in Chile and conduct a drilling program to establish JORC compliant reserves and expand the overall resource base of the YB assets.
- 12.2.5 The Iatia Board are of the opinion that the Transaction is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is a strategic opportunity for the Company to continue as a going concern.

### **12.3 Disadvantages of the Transaction**

- 12.3.1 There may be other opportunities Iatia will not be able to undertake to increase the value of its listing if it accepts this Transaction due to the controlling interest being obtained by Freehill Shareholders.
- 12.3.2 The Company will be changing its activities to those of Freehill, being the owner of iron ore tenements, which may not be consistent with the objectives and risk profile of existing Shareholders.
- 12.3.3 Iatia's existing shareholders voting interest will decrease from 100% to 2.57% as a result of the Transaction, prior to any existing shareholders participating in the Capital Raising.

## 13 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

### 13.1 Fairness

13.1.1 According to RG 111, for the Transaction to be fair, the value of the Freehill shares being acquired must be equal to or greater than the value of the consideration, being Iatia shares.

13.1.2 Based on the analysis contained in section 10 of this report, the indicative value of 100% of Freehill is between \$94,917,490 and \$123,317,490, with a midpoint value of **\$109,117,490**.

13.1.3 Based on the analysis contained in section 11 of this report, the value of the shares being issued by Iatia for 100% of Freehill is between \$0.053 and \$0.070, with a midpoint of \$0.061 on a controlling interest basis.

13.1.4 Our valuation of Iatia shares is based on a value prior to the Transaction on a controlling interest basis. In order to assess whether the Transaction is fair, we need to compare the pre-transaction values on a control basis with the post-transaction values on a minority basis, as the existing Non-Associated Shareholders of Iatia will lose control of the Company to the Freehill Shareholders after the Transaction. This is shown in the table below:

<b>Iatia Value and Opinion</b>	<b>Low</b>	<b>High</b>	<b>Midpoint</b>
<b>Control value per share</b>	<b>0.053</b>	<b>0.070</b>	<b>0.061</b>
Post Consolidation shares currently on issue	6,141,201	6,141,201	6,141,201
Control valuation of Iatia, pre-Transaction	326,873	426,873	376,873
Debt retired from Conversion of Convertible Notes <sup>1</sup>	47,505	47,505	47,505
Valuation of Freehill	94,917,490	123,317,490	109,117,490
Minimum Proceeds from Capital Raising	3,500,000	3,500,000	3,500,000
<b>Post-Transaction Value</b>	<b>98,791,868</b>	<b>127,291,868</b>	<b>113,041,868</b>
Post-Transaction shares on issue	591,639,633	591,639,633	591,639,633
<b>Value per share</b>	<b>0.167</b>	<b>0.215</b>	<b>0.191</b>
Minority discount <sup>refer section 9.3</sup>	10%	10%	10%
<b>Post-Transaction Valuation per share</b>	<b>0.150</b>	<b>0.194</b>	<b>0.172</b>

<sup>1</sup> We have only added the value of converting the Convertible Notes on issue as at 30 June 2015 of \$47,505 as the funds raised from the issue of Convertible Notes after that date of \$250,000 have been expensed or applied to working capital of the Company and therefore have not necessarily added to the value of Iatia shares.

13.1.5 A condition precedent of the Transaction is that Iatia will raise not less than \$3,500,000 by way of a Capital Raising from the issue of 35,000,000 shares at \$0.10 per share, which is above the current value of the Iatia shares.

13.1.6 In our opinion the Transaction is **fair** as the valuation of the Iatia shares held by Non-Associated Shareholders increases as a result of the Transaction.

## 13.2 Reasonableness

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

- Given the Company's limited capital and lack of income producing assets it will have difficulty in creating significant long-term value for shareholders in its current state. The Directors of Iatia have determined that Freehill has the potential to increase Iatia shareholder value and provide the Company with a future business direction. Based on currently available information, the Directors are of the view that the Freehill assets, being its 100% interest in YB, have significant potential to provide commercially-valuable mineral deposits, which are supported by two off-take agreements, one with Chile's largest iron producer.
- The Directors consider that the current board and management team of Freehill possess the experience and skills required to successfully transition the Company into its proposed new business in the mining sector.
- The Transaction will increase the market capitalisation of the Company and provide increased liquidity of the Company's Shares, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.
- The Capital Raising is a condition of the Transaction and will provide the necessary funds to invest in Freehill's YB iron ore mine in Chile and conduct a drilling program to establish JORC compliant reserves and expand the overall resource base of the YB assets.
- The Iatia Board are of the opinion that the Transaction is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is a strategic opportunity for the Company to continue as a going concern.
- We are unaware of any alternative proposal at the date of this report that may realise better value for Iatia shareholders.

Having considered that the Transaction is fair, the potential of the Freehill business and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of Iatia should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is reasonable.

Yours faithfully  
Hall Chadwick Corporate (NSW) Limited



DREW TOWNSEND





## **APPENDIX I - SOURCES OF INFORMATION**

- Iatia Limited audited financial statements for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- Freehill Investments Pty Limited unaudited financial statements for the years ended 30 June 2014 and 30 June 2015;
- Independent Geologist's Report on the mineral properties of Freehill (YB), prepared by Jose Astudillo Rodriguez, dated 23 September 2015;
- Iatia Limited Notice of General Meeting and Explanatory Memorandum;
- Heads of Agreement between Iatia and Freehill;
- Iatia registry details;
- Publicly available information on Iatia, Freehill and comparable companies, including media releases, ASX announcements and websites;
- ASIC Regulatory Guide 74 'Acquisitions Approved by Members';
- ASIC Regulatory Guide 111 'Content of Expert Reports';
- ASIC Regulatory Guide 112 'Independence of Expert's Reports';
- APES 225 'Valuation Services'.

## APPENDIX II - EXTRACTS FROM GEOLOGIST REPORT ON THE YB PROJECTS

Following are extracts from the Geologist Report prepared on the mineral resources of YB, of which Freehill holds a 100% interest.

### Sources of information

The information gathered for this report was provided by Juan Enrique Dagach (Yerbas Buenas project General Manager) and included the following studies which details are seen in the attachments:

- a) Geological report on the deposit of magnetite sand in the nearby “Honda” area conducted by Manuel Riveros in 2010.
- b) Geological report by CAP that includes a magnetometry survey and two RC drill holes performed in July 2011.
- c) Report of mineralogical testing of raw material, concentrate and tailings samples by Jimena Cucurella, Geologist from the University of La Serena in October 2009.
- d) Review of ground magnetometry survey with 16 lines of 50 meters spacing, totaling 10 km in length. This report was performed by Geoexploraciones S.A. in January of 2010.
- e) Review of ground magnetometry survey with 8 lines of 200 meters spacing, totaling 5.5 km in length. This report was made by Ingegloal in 2015.
- f) Review of Yerbas Buenas Fines Mining Project prepared by Gesnat environmental consultants, in May 2015.

**Mining properties:** Table 1: mining properties of exploitation, YERBAS BUENAS project.

Name	Licence Holder	Licence Number	Area
YERBAS BUENAS 1 TO 16	AYF MUZARD LIMITED	04102-2723-1	50 ha
ARENAS III, 1 TO 15	SAN PATRICIO SPA	04102-2714-2	150 ha
ARENAS IV 1 TO 10	SAN PATRICIO SPA	04102-2715-0	44 ha
ARENAS VI, 1 TO 20	SAN PATRICIO SPA	04102-2755-K	100 ha
ARENAS X, 1 TO 18	SAN PATRICIO SPA	04102-2937-4	54 ha
TOTAL			398 ha

### Location and access

The project Yerbas Buenas is located 30 km North of the city of La Serena, IV Region of Coquimbo and the license site has an approximate area of 398 hectares. Access to the project is made through route 5 North, to the access road to the caleta (cove) of the town of Chungungo, where you travel 3 km west along a gravel road in good condition, where you access a detour to the South for 0.8 km, until you reach the Yerbas Buenas project.

### District geology

District geology consists of a sequence of volcanic rocks, named the Bandurrias Formation of Cretaceous age, intruded by Granites of central Cretaceous age, and overlaid by marine sedimentary rocks of the tertiary Coquimbo formation. The Yerbas Buenas project is located 20 km south of the Mining Project "Dominga", in which over 1,000 million tonnes of iron ore have been proven, at an average grade of 26%.

### Ground Magnetometry

At the Yerbas Buenas project, two ground magnetic surveys have been completed as follows:

### **Central polygon area magnetometry of 40 hectares**

This work was carried out by the company Geoexploraciones in August 2014. The studied area corresponded to a rectangle of 700 m by 600 m with 16 lines of ground magnetometry, 13 orientated S-N, with a spacing of 50 meters between lines, and the remaining 3 W-E orientated. Magnetic anomalies were detected in the central area of the study area, and these were subjected to a process of magnetic inversion to obtain a model of the magnetic bodies which explain the anomalies. The result of this inversion showed the presence of four major bodies located around the central area, with a total volume of 1,410,000 m<sup>3</sup>, which would mean about 8 million tonnes of Fe ore, assuming a density of 7.87 tonnes /m<sup>3</sup> and a grade of 60%, with a density of 2.6 tonnes /m<sup>3</sup> for the rest of the rock. There are indications of an anomaly open to the southwest of the studied area so it is suggested the area of magnetic surveying be extended in the future to better define its size and location.

### **Terrestrial magnetometry, polygon of complete Project area**

This work was done by the company Ingegloal in March of the year 2015. The studied area corresponds to the entire mining property covering an approximate area of 398 hectares. 7 lines E-W and a control line N-S totaling 5.5 km of lines were carried out. The result of this magnetic survey defined 4 magnetic anomalies, these are: North anomaly, Central 1 anomaly, Central 2 anomaly and South anomaly.

To conclude the chapter on the ground magnetics in the project, mention is made of a survey from August 2011 by Compañía Minera del Pacífico (main producer of iron in Chile) and then owners of Yervas Buenas who undertook a Vertical field magnetometer survey (supervised by CMP) which confirms the existence of magnetic anomalies and increased magnetic susceptibility reported in the two surveys described above. This confirms the potential resources of iron of high grade.

### **Drilling performed by CMP**

During July 2011 CAP mining drilled 2 RC drillholes, targeting one of the four targets of higher magnetic susceptibility (inversion in ground magnetometry by Geoexploraciones model) and where some historical underground workings were identified. The drillholes were inclined at -70° to the East and drilled to depths of 150 m and 101m. Drilling intersected iron mineralization in multidirectional veinlets of 1-4 mm thickness, placed in a NE structure.

From the drilling results, a model of iron mineralization was estimated with dimensions of 27 m width, and length of 130 m, depth of 80 m and a density of 3.3 tonnes /m<sup>3</sup> (the average grade is 32.84% FeT). With these dimensions CAP estimated 448,000 tonnes for this deposit with potential to increase to 1,350,000 tonnes if three other targets are tested. Drillhole SDHYB1101 intersected 8m @ 31.69% Fe from 84m, and 12m @ 31.69% Fe from 114m. Drillhole SDHYB1102 intersected 20m @ 34% Fe from 38m. An average grade of 32.84% Fe is given by these drillhole intercepts, with magnetic Fe of 28.14%, P of 0.205% and S of 0.029%.

### **Reserve Estimation taken from Iron**

From December 2014 to August 2015, 362,548 tonnes of ore of the unit of brown sands have been processed that have generated approximately 28,500 tonnes of concentrate grading approximately 62% Fe and have been sold to the companies Melon Cement and CAP Mining.

This data regarding throughput and production cannot be used to infer a recovery rate because the input material contained high levels of sand which was lumped together and could not be adequately processed due to lack of the required equipment. As a consequence some iron was not

recovered during this phase of production. Subsequent upgrades have remedied this problem. The authors best estimate of head grade deduced from the operating statistics is between 9% to 12% Fe.

### Gold Exploration potential Yerbas Buenas Project

In October 2009, the geologist Ms Jimena Cucurella, petrologist of the Universidad de La Serena described particles of free gold, from 4 to 10  $\mu$  in the plant feed and plant tailings of 5 samples of Unit of Brown Sands which were in that year being exploited in the Yerbas Buenas Project. In addition, several examples of historical gold workings were identified in the vicinity of the sand mining project.

The author of this report suggested developing a monitoring plan dealing with the extraction of gold from the current processing of the Unit of Brown Sands. In this sense it can be noted that during the first days of August 2015 a systematic sampling of the 17,000 tonnes of concentrates awaiting shipment to the CAP port of Guayacán gave 0.06 g/t Au. A systematic sampling of the concentrates produced daily throughout the month of August of this year was also conducted.

### Yerbas Buenas Project economic evaluation

Considering all the information that has been presented in this project, the management of Yerbas Buenas generated a future economic assessment for the project in the medium and long term. This assessment was based on several assumptions and financial market variables such as projected prices for iron, interest rates, exchange rates, increased costs in terms of increased production, etc. Tables and spreadsheets are given in this report:

The first form corresponds to the current state of production of the company (Table 9) and shows the current profitability of this operation which remains viable as opposed to many other iron ore companies that have stopped operating due to the fall in prices between 2014 and 2015.

Calculating Production Tonnage & Cost from Assumptions of Plant Feed Rates and Material Grade		
Capacity of Magnetic Circuit	75.000	Tons per month
Plant efficiency	75%	
INPUT	56.250	ton/per month
Useable Feed to Plant	11,4%	% fe content
REJECT	1,0%	% fe content
FINAL PRODUCT	62,0%	% fe content
RECUPERATION	17%	% recuperation in weight
Tons input per ton output	7,8	
<b>PRODUCTION PER MONTH</b>	<b>7.193</b>	<b>Tons</b>
<b>Cost Per Ton</b>	<b>15.103</b>	<b>CLP \$22,21 USD</b>
<b>PRODUCTION COSTS</b>		
Cost of Labour	19.100.000	17,6%
Machinery Rental + Fuel	54.150.000	49,8%
Contingencies	2.000.000	1,8%
Royalty		
Trucking	33.380.963,11	30,7%
Crushing & Separation		
<b>Total</b>	<b>108.630.963</b>	<b>CLP including IVA</b>

Geologist Report Table 9: Actual costs and production, Yerbas Buenas

Future production scenarios were evaluated, involving production increases from 5,000 tonnes of concentrate to 10,000, 20,000, 40,000 and 100,000 tonnes of concentrate per month (Table 10) which shows a development from small to large mining with Yerbas Buenas becoming possibly the third largest producer of iron in Chile after CAP and Andes Iron (Dominga). A summary of costs and profit is presented for future expansions of Yerbas Buenas:

<b>Summary of Outcomes for Various Production Scenarios</b>						
Using Current Prices Strictly		For one year only				
Permitting TPM	Permit	Cost Per Ton/US\$	Operating Surplus PM	Operating Surplus PA		
5,000	1 Permit	\$28.96	\$12,293	\$147,519		
10,000	2 Permits	\$21.21	\$102,050	\$1,224,596		
20,000	DIA	\$19.41	\$240,064	\$2,880,774		
40,000	EIA	\$16.27	\$606,007	\$7,272,081		
100,000	EIA	\$13.43	\$1,798,242	\$21,578,901		
<b>PRODUCTION COSTS</b>			<b>@ 5,000 TPM</b>	<b>@ 10,000 TPM</b>	<b>@ 20,000 TPM</b>	<b>@ 40,000 TPM</b>
Cost of Labour			19,100,000	24,830,000	43,452,500	65,178,750
Machinery Rental + Fuel			54,150,000	70,395,000	123,191,250	184,786,875
Contingencies			2,000,000	2,600,000	4,550,000	6,825,000
Royalty						
Trucking			23,205,000	46,410,000	92,820,000	185,640,000
<b>Total</b>	<b>CLP including IVA</b>		<b>98,455,000</b>	<b>144,235,000</b>	<b>264,013,750</b>	<b>442,430,625</b>
Cost Per Ton	CLP		19,691	14,424	13,201	11,060.77
Cost Per Ton	USD		<b>\$28.96</b>	<b>\$21.21</b>	<b>\$19.41</b>	<b>\$16.27</b>
Operating Surplus	USD	Monthly	\$12,293	\$102,050	\$240,064	\$606,007
Operating Surplus	USD	Annually	\$147,519	\$1,224,596	\$2,880,774	\$7,272,081
						\$21,578,901

Geologist Report Table 10: Projected annual and monthly operating Surplus as production increases

Financial assumptions and market variables of projected prices for iron, interest rates, exchange rates, increased costs in terms of increased production are presented below.

Finally a valuation matrix was obtained as shown in Table 11 over the page where it is concluded that the project is profitable and attractive in the long run, even though prices are now depressed. One of the most important reasons is that the mineralisation is at the surface. Undoubtedly, Yerbas Buenas will become an attractive mining project and will be developed and expanded in the coming years when the iron market experiences another super price cycle from the future growth of India and other Asian countries.

The author points out that this economic assessment of Yerbas Buenas does not consider the content of gold in the Unit of Brown Sands and therefore future reports should include this potential new resource.

We note the valuation model is based on current production practices where almost 50% of total costs are machinery rental. The machinery used in the current processing operation could be replaced by the purchase of new equipment, for between AU\$2 million and US\$2.5 million. This would greatly reduce the production cost per tonnes resulting in a considerable increase in the project valuation.

The valuation model does not include the book value of the company's current assets such as;

- magnetic separation plant valued at over US\$2.2 million,
- mining leases covering 398 Hectares containing several high quality exploration targets in addition to the iron sands,
- surface rights to approximately 178 hectares of beachfront land adjacent to a rapid growth town, and
- other incidental assets.

Notwithstanding these exclusions, my valuation of the Yerbas Buenas Project, based solely on the current production process and a resource of 60 million tonnes of iron sands, falls into a range between AU\$95 million and AU\$123 million.

# Valuation Matrix

This group of valuations assumes all key variables do not change and no discount factor is applied to future operating profits

## Valuation at Current prices

		5 Year	10 Year		
Iron Price per tonn (62% Fe North China) in US\$		\$31,42			
CLP per US\$		680			
US\$ per AU\$		\$0,7200			
Rate for NPV Calculation		2,0000%			
	<b>Valuation</b>	<b>\$26.802.152</b>	<b>\$154.343.994</b>	<b>Average</b>	<b>\$90.573.073</b>

This group of valuations looks at the Operating Surplus in 2 time horizons of 5 & 10 years

The 4 key variables are tied to the specific time horizon so for the 5 year valuation the iron price, exchange rates the 5 year averages are used and Australian Treasury 5 year bond rate is used. The same applies for the other time horizon.

## 5 Year

Iron Price per tonn (62% Fe North China) in US\$		\$80,90			
CLP per US\$		532			
US\$ per AU\$		\$0,94			
DCF factor (%)		2,2307			
	<b>Valuation</b>	<b>\$66.753.760</b>	<b>Production</b>	<b>960.000</b>	<b>Raw Material</b>
					<b>11.730.769</b>

## 10 Year

Iron Price per tonn (62% Fe North China) in US\$		\$58,04			
CLP per US\$		531			
US\$ per AU\$		0,8868			
DCF factor		2,7443			
	<b>Valuation</b>	<b>\$180.563.773</b>	<b>Production</b>	<b>6.960.000</b>	<b>Raw Material</b>
					<b>58.771.154</b>

## Possible Valuations

Average of Current price model	\$90.573.073
Average of 5 & 10 Year Models	\$66.753.760
Average of all solutions	\$107.115.920
Average of all solutions excluding Lowest & Highest	\$110.548.877

## Preferred Valuations for the 5 & 10 year simulations

Valuation - 5 year	\$66.753.760
Valuation - 10 year	\$180.563.773
Midpoint	\$123.658.767
Using a point 25% of Difference from Low to High	\$95.206.264

## Calculate Quartile Points

Low	\$66.753.760
+25%	\$95.206.264
+50%	\$123.658.767
+75%	\$152.111.270
High	\$180.563.773

## Valuation quoted as a range

from \$95.206.264  
to \$123.658.767

Geologist Report Table 11: Detail Economic Assessment Matrix Yerbas Buenas.

## **Assumptions**

This valuation model is based solely on the mineralised sand resource of 60 million tonnes identified in the geological report. No value is accredited to the other mineral resources identified in the geological report and classified as exploration targets.

Tonnage produced is constrained by the permits granted by SERNAGEOMIN, the Chilean Department of Mines. This differs from the amount of finished product per month the plant is capable of producing as obtained from actual production statistics.

Using the permitted monthly production tonnages contained in the model and the minimum volume of available sand material given in the Geological Report, the sand resource is exhausted in just over 10 years unless further reserves are proven. Therefore logically the maximum project life cannot exceed 10 years. Hence the valuation is calculated in a 10 year time horizon.

Operating Costs for production levels over the current 5,000 tonnes per month are not calculated according to a reconfiguration to the existing plant but are inflated using a best estimate of increased costs. Operating Costs at the base production level come from the company's accounting system. The production level after 3 months is based on doubling production due to obtaining a second base production permit. The production level after 15 months is based on a further doubling of production due to obtaining an expanded production permit. The production level after 4 years is based on doubling of production due to obtaining a further expansion of the production permit. The production level after 6 years are based on higher production due to obtaining a further expansion of the production permit.

The iron price assumed for the 10 year model of US\$58.04 per tonne (62% Fe North China) is the average of monthly average prices over the preceding 10 years including 2015 to end of August of \$US93.29, adjusted for the payment formula in the CAPS off-take agreement (as detailed at Section 7.1.2). The iron price as at 30 September 2015 was US\$56.43 per tonne (62% Fe North China).

The Australian Treasury Bond rate for the 10 year model is the average of prices quoted during a week in August 2015, being 2.7443.

The Chilean Peso to US\$ exchange rate for the 10 year model is the average of monthly average prices over the preceding 10 years including 2015 to end of August, being US\$1:CLP531.

The AU\$ to US\$ exchange rate for the 10 year model is the average of monthly average prices over the preceding 10 years including 2015 to end of August, being AU\$1:US\$0.8868. The AU\$ to US\$ exchange rate as at 26 October 2015 was AU\$1:US\$0.7245. Assuming the current exchange rate in the valuation model would increase the upper level of the valuation range from AU\$123.6 million to AU\$143.8 million.

The price received for product and the operating costs all contain IVA (the Chilean Value added Tax). The model does not account for IVA credits or debits accumulated on a monthly basis. The model does not account for Chilean taxation.

For purposes of deriving Net Present Value of annualised profits the Australian Treasury Bond Rate is used as a proxy for CPI. This method is adopted because in times of low economic growth and low interest rates it is our opinion that the actual market pricing of Government



Bonds is an indicator of market expectations of CPI and is preferable to economic forecasts of CPI.

For purposes of deriving a risk adjusted Discounted Cash Flow we can use either of these two estimation methods; A fixed percentage rate of return per annum added to the factor used for calculating NPV and this compensates for risk rate of return and the beta factor, or express the risk adjusted rate of return required by an investor as a multiple of the factor used for calculating NPV.

This model adopts the latter methodology, and is set at 3 times, although this multiple can be changed in the model to derive different valuation outcomes. So in the 10 year model the Government year Bond rate is used, and the 10 yearly profits are discounted by adding the Bond rate (2.7443%) and the three times the bond rate ( $3 \times 2.7443 = 8.2329\%$ ) giving a discount factor of 10.9772%.

## **APPENDIX III - STATEMENT OF DECLARATION & QUALIFICATIONS**

### **Confirmation of Independence**

Prior to accepting this engagement HCC determined its independence with respect to Iatia and Freehill with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of Iatia and Freehill.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Iatia, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend and Mr David Kenney, directors of Hall Chadwick Corporate (NSW) Limited, have prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of Iatia for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of Iatia have not changed the methodology or conclusions reached by HCC.

### **Reliance on Information**

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by Iatia and Freehill as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

Iatia has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by Iatia to HCC in preparation of this report.

## **Qualifications**

Hall Chadwick Corporate (NSW) Limited (“HCC”) carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC’s representatives are therefore qualified to provide this report.

## **Consent and Disclaimers**

The preparation of this report has been undertaken at the request of the Directors of Iatia. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to Iatia shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC’s opinion as to whether or not the proposed Transaction is fair and reasonable.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to Iatia shareholders.

Shareholders should read all documents issued by Iatia that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these additional documents, with the exception of our report.

This report has been prepared specifically for the Non-associated shareholders of Iatia. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a Non-associated shareholder of Iatia, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

## **APPENDIX IV - FINANCIAL SERVICES GUIDE**

Dated 18 November 2015

### **What is a Financial Services Guide (FSG)?**

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

### **Financial services that HCC is authorised to provide**

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

### **HCC's responsibility to you**

HCC has been engaged by the independent directors of Iatia Limited ("Iatia" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by Iatia in relation to the proposed transaction to acquire all of the issued shares in Freehill Investments Pty Ltd ("Freehill") (the "Transaction").

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

### **General Advice**

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

### **Fees HCC may receive**

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$20,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary or a trust and partnership distribution from Hall Chadwick entities (the Hall Chadwick Sydney Partnership). Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

### **Referrals**

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

### **Associations and relationships**

Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend and Mr David Kenney, directors of HCC and partners in the Hall Chadwick Sydney Partnership, have prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Over the past two years no professional fees have been received from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of the Client or has other material financial interests in the Transaction.

### **Complaints resolution**

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:  
The Complaints Officer  
Hall Chadwick Corporate (NSW) Limited  
GPO Box 3555  
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Drew Townsend, on 02 9263 2600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

### **External complaints resolution process**

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

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

Financial Ombudsman Service Limited  
GPO Box 3, Melbourne Victoria 3001  
Telephone: 1300 78 08 06  
Facsimile (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

### **Compensation arrangements**

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

### **Contact Details**

You may contact HCC at:  
Hall Chadwick Corporate (NSW) Limited  
GPO Box 3555  
Sydney NSW 2001  
Telephone: 02 9263 2600  
Facsimile: 02 9263 2800