

ABN 72 008 915 311

10 September 2014

Market Announcements Office Australian Securities Exchange Level 4, 20 Bridge Street SYDNEY NSW 2000

Dear Sir/Madam

## GONDWANA RESOURCES LIMITED - SUPPLEMENTARY TARGET'S STATEMENT

In accordance with section 647(3)(b) of the *Corporations Act 2001* (Cth) (**Corporations Act**), attached is a copy of the supplementary target's statement of Gondwana Resources Limited (ASX:GDA) (**Gondwana**) dated 10 September 2014 in relation to the off-market takeover bid by Ochre Industries Pty Limited (ACN 162 416 408) (**Ochre**), a wholly owned subsidiary of Ochre Group Holdings Limited (ACN 008 877 745), for all of the fully paid ordinary shares in Gondwana, which Ochre does not already own or control.

The supplementary target's statement is prepared under section 644 of the Corporations Act and is supplementary to Gondwana's target's statement dated 18 July 2014. The supplementary target's statement has been given to each of the Australian Securities and Investments Commission and Ochre today.

Yours faithfully

Paul Goodsall Company Secretary

Looch . E



ABN 72 008 915 311

## SUPPLEMENTARY TARGET'S STATEMENT

## 1. IMPORTANT INFORMATION

This document is a supplementary target's statement (Supplementary Target's Statement) made under section 644 of the Corporations Act 2001 (Cth) (Corporations Act) and is supplementary to the target's statement dated and lodged with the Australian Securities and Investments Commission (ASIC) on 18 July 2014 (Original Target's Statement) issued by Gondwana Resources Limited (ACN 008 915 311) (Gondwana or Company) in relation to the off-market takeover bid made by Ochre Industries Pty Limited (ACN 162 416 408) (Ochre), a wholly owned subsidiary of Ochre Group Holdings Limited (ACN 008 877 745) (OGH), for all of the fully paid ordinary shares in Gondwana, which Ochre does not already own or control.

This Supplementary Target's Statement was lodged with ASIC on 10 September 2014. Neither ASIC nor its any of its officers takes any responsibility for the contents of this Supplementary Target's Statement.

This Supplementary Target's Statement must be read together with the Original Target's Statement. If there is any inconsistency between the Original Target's Statement and this Supplementary Target's Statement, this Supplementary Target's Statement will prevail. Unless the context otherwise requires, terms defined in the Original Target's Statement have the same meaning in this Supplementary Target's Statement.

Please consult your legal, financial or other professional adviser if you do not fully understand the contents of this Supplementary Target's Statement.

A copy of this Supplementary Target's Statement will be available on the ASX website (ASX Code: GDA) at www.asx.com.au.

## 2. REJECT OCHRE'S REVISED OFFER

On 18 August 2014 and 19 August 2014, Ochre announced that it had increased the Offer Price under its offer to \$0.115 per Gondwana Share and declared the offer free of certain conditions (**Revised Offer**).

Ochre declared all offers contained in the Bidder's Statement, and all contracts formed by the acceptance of the offers, to be free from all conditions contained in paragraph 11.28 of the Bidder's Statement, except for:

- (a) the condition at paragraph 11.28(a) of the Bidder's Statement, that Ochre and its associates have a relevant interest in excess of 50% before the end of the Offer Period (**Minimum Acceptance Condition**);
- (b) the condition at paragraph 11.28(d) of the Bidder's Statement, including that Gondwana does not enter into any agreement to acquire or

- dispose of, or acquires or disposes of, any asset for an amount greater than \$100,000 or which has a book value greater than \$100,000;
- (c) the condition at paragraph 11.28(j) of the Bidder's Statement, that Gondwana provide to Ochre a copy of all information provided to any other person in relation to a competing proposal; and
- (d) the condition at paragraph 11.28(e) of the Bidder's Statement, that no "Prescribed Occurrences" occur during the Offer Period including the issue, or agreement to issue, shares, options or convertible notes.

A copy of these announcements are available on the ASX website (ASX Code: GDA) at www.asx.com.au.

#### Gondwana's Directors Unanimously Recommend You REJECT the Revised Offer

Gondwana's Board has carefully considered the Revised Offer and unanimously recommends that Gondwana Shareholders take no action and therefore **REJECT** the Revised Offer. All Gondwana Directors who own or control Gondwana Shares intend to **REJECT** the Revised Offer in respect of the Gondwana Shares that they own or control.

To REJECT the Revised Offer, simply do nothing and disregard all documentation and communication sent to you by Ochre.

In summary, the reasons for the Director's decision to unanimously recommend that Gondwana Shareholders **REJECT** the Revised Offer are set out below.

# (a) The Revised Offer does not adequately reflect Gondwana's value and future prospects

Your Directors are unanimous in their view that the Revised Offer is opportunistic in its timing and does not adequately reflect Gondwana's value and future prospects. Your Directors consider that Gondwana Shareholders will receive greater value by remaining shareholders of the Company. Gondwana Shareholders should refer to section 2.2 of the Original Target's Statement for a detailed explanation in support of this view.

Your Directors hold this view notwithstanding that the Independent Expert has now published a supplementary independent expert's report (Supplementary IER) which concludes that the Revised Offer is fair and reasonable. The Independent Expert has assessed that the value of a Gondwana Share ranges from \$0.0454 to \$0.1138, with a preferred value of \$0.0688. A copy of the Supplementary IER is set out in Annexure A of this Supplementary Target's Statement. Agricola Mining Consultants Pty Ltd has also published a revised independent valuation report (Revised IVR), a copy of which accompanies the Supplementary IER.

A key and strategically significant asset held by Gondwana is the Corunna Downs royalty. Gondwana sold the Corunna Downs tenements to Atlas Iron Limited (**Atlas**) in April 2013 and, under the terms of the agreement with Atlas, Gondwana retains a royalty of:

- \$1.13/tonne on the production and sale of iron ore; and
- 1.5% of the gross proceeds of the sale of other minerals,

derived from the Corunna Downs tenements.

In addition, Gondwana sold the Panorama tenement (which adjoins the Corunna Downs tenements) to Atlas in June 2014 and, under the terms of the agreement with Atlas, Gondwana retains a royalty of 1% of the gross proceeds of the sale of iron ore and other minerals from the Panorama tenement. In particular, in light of Atlas' recent announcements (dated 9 May 2014 and 17 July 2014) in respect of the mineral resource at Corunna Downs, the significant exploration targets at Corunna Downs and the importance of this project to Atlas (refer to Atlas' announcements on www.asx.com.au), the Board believes that the potential for a substantial mining project and a significant annual royalty stream from Corunna Downs appears relatively high, although no estimates of the amount or timing of such potential royalties can be made at this time.

The Independent Expert is not able to ascribe any value at all to the Corunna Downs royalty until it is based on a published reserve. For this reason, the value of Gondwana Shares assessed by the Independent Expert, as set out above, expressly excludes the value of the Corunna Downs royalty. However, the ASX announcements made by Atlas on 9 May 2014 and 17 July 2014 clearly indicate that the Corunna Downs Iron Ore Project has great significance to Atlas and, accordingly, the Corunna Downs royalty is a significant asset of Gondwana.

For the above reasons, your Directors consider that the Revised Offer does not appropriately ascribe value to the potential Corunna Downs royalty.

## (b) Your Directors intend to REJECT the Revised Offer

The Gondwana Directors who own or control approximately 19% of the Gondwana Shares on issue intend to **REJECT** the Revised Offer.

## (c) The Revised Offer remains highly conditional and uncertain

Despite Ochre waiving certain conditions, the Revised Offer remains highly conditional and uncertain. The Revised Offer is subject to several conditions (outlined above).

Even if you accept the Revised Offer, it may not be successful. You will only be paid if every condition of the Revised Offer is satisfied or waived.

The Board believes that there is a material risk that certain conditions to the Revised Offer may not be satisfied or waived.

(i) Ochre has stated that if Gondwana's Directors recommend the Revised Offer and give Ochre access to due diligence material, Ochre will declare all offers contained in the Bidder's Statement, and all contracts formed by the acceptance of the offers, to be free from the Minimum Acceptance Condition.

The Board has determined that it would not be appropriate to grant Ochre access to due diligence material. Ochre, through its recent conduct, has frustrated the Company's ability to access new equity funding which has placed the Company's future in jeopardy. In the Board's view, these are not the actions of a shareholder who holds the best interests of all fellow

shareholders at heart. The Board believes that all of Ochre's recent actions, including undertaking proceedings in the Takeovers Panel, have had a detrimental effect on the Company's financial position and have been part of a broader strategy by Ochre to seek to limit the Company's ability to raise funds which, in turn, will make Ochre's takeover offer more attractive.

The Board is extremely concerned that if Ochre were granted access to due diligence material, Ochre may, based on its previous actions, use the material inappropriately and potentially against Gondwana's commercial interests.

For the above reasons, it is unlikely that the condition at paragraph 11.28(j) of the Bidder's Statement, concerning access by Ochre to diligence material, will be satisfied and, accordingly, the Gondwana Board believes that it is unlikely that Ochre will declare all offers contained in the Bidder's Statement and all contracts formed by the acceptance of the offers to be free from the Minimum Acceptance Condition (however, Ochre retains the right to do so).

(ii) In addition, the condition at paragraph 11.28(e) of the Bidder's Statement, that no Prescribed Occurrences occur during the Offer Period, including the issue, or agreement to issue, shares, options or convertible notes may not be satisfied.

Subject to obtaining all requisite shareholder approvals and compliance with the orders made by the Takeovers Panel on 15 August 2014, Gondwana may issue securities pursuant to the Entitlements Offer, the Further Placement and the directors' authority refreshed or granted pursuant to resolutions 3, 5, 6 and 7 contained in the AGM Notice relating to the issue of securities (Fundraising Resolutions).

Should Gondwana receive acceptances under the Entitlements Offer prior to the end of the Offer Period, this would trigger the Prescribed Occurrences Condition. Should Gondwana issue or agree to issue securities pursuant to the Fundraising Resolutions before the end of the Offer Period, this would also trigger the Prescribed Occurrences Condition.

- (d) By accepting the Revised Offer, you will not have the benefit of any subsequent higher offer from any third party or benefit from any further growth of the Company
  - (i) By accepting the Revised Offer, you will not benefit from any further growth of the Company.
  - (ii) If you accept the Revised Offer, you will lose any opportunity to obtain a higher price for your Gondwana Shares that may arise if:
    - any superior offer is made by another bidder for your Gondwana Shares in the future; or
    - a higher price is available in due course on market.

If you accept the Revised Offer, you will not be able to accept a higher offer from a third party unless the Revised Offer lapses or you have a right to withdraw your acceptance.

As announced on 12 August 2014, Gondwana received an indicative, non-binding and conditional proposal to acquire all Gondwana Shares by a potential third party bidder. The proposal was introduced to Gondwana by a reputable Australian financial intermediary, although the potential bidder's identity is subject to confidentiality.

Your Directors have continued discussions with the potential third party bidder but, at this time, no proposal has been put forward that the directors could consider recommending to Gondwana Shareholders. There is no proposal currently on foot.

Gondwana's Directors will continue to pursue negotiations with this and any other potential third party bidder in an effort to obtain a binding proposal superior to Ochre's Offer.

Your Directors will seek to maximise value for all Gondwana Shareholders and will keep shareholders informed of any material developments.

## **Closing Date**

The Revised Offer is scheduled to close at 5.00pm (AWST) on Monday, 29 September 2014 (unless extended).

Gondwana Shareholders may call Gondwana on +61 8 9364 7414 between 9:00am and 5:00pm (AWST) Monday to Friday, if they have any queries in relation to the Revised Offer. Calls to Gondwana may be recorded.

#### Other Factors to Consider

Despite Gondwana's Directors recommending that Gondwana Shareholders **REJECT** the Revised Offer, the Directors recognise that certain Gondwana Shareholders may have a different investment strategy and criteria.

In considering whether to accept the Revised Offer, the Gondwana Directors encourage you to:

- read the whole of the Original Target's Statement, this Supplementary Target's Statement, the Supplementary IER, the Bidder's Statement and each supplementary bidder's statement issued by Ochre;
- (b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- (c) consider the choices available to you as outlined in section 4.11 of the Original Target's Statement;
- (d) carefully consider sections 4.5 and 4.13 of the Original Target's Statement; and
- (e) obtain independent financial advice from your broker or financial adviser on the Revised Offer and obtain taxation advice on the effect of accepting the Revised Offer. The information in this Supplementary Target's Statement does not constitute financial product advice and this Supplementary Target's Statement does not take account of your individual investment objectives and financial situation or particular needs.

#### CONSENT

BDO Corporate Finance (WA) Pty Ltd has given, and has not withdrawn before the lodgement of this Supplementary Target's Statement with ASIC, its written consent to be named in this Supplementary Target's Statement and for the Supplementary IER to accompany this Supplementary Target's Statement, and for the inclusion of any statement said in this Supplementary Target's Statement or the Supplementary IER based on a statement by BDO Corporate Finance (WA) Pty Ltd, in the form and context in which it is included.

BDO Corporate Finance (WA) Pty Ltd:

- (a) has not caused or authorised the issue of this Supplementary Target's Statement;
- does not make or purport to make any statement in this Supplementary Target's Statement or any statement on which a statement in this Supplementary Target's Statement is based, other than as included in the Supplementary IER and statements in this Supplementary Target's Statement based on its Supplementary IER; and
- (c) takes no responsibility for any part of this Supplementary Target's Statement other than the Supplementary IER and statements in this Supplementary Target's Statement based on the Supplementary IER and any reference to its name.

Agricola Mining Consultants Pty Ltd has given, and has not withdrawn before the lodgement of this Supplementary Target's Statement with ASIC, its written consent to be named in the Supplementary Target's Statement and for the Revised IVR to accompany the Supplementary IER and this Supplementary Target's Statement, and for the inclusion of any statement said in this Supplementary Target's Statement or the Supplementary IER or Revised IVR based on a statement by Agricola Mining Consultants Pty Ltd, in the form and context in which it is included.

Agricola Mining Consultants Pty Ltd:

- (a) has not caused or authorised the issue of this Supplementary Target's Statement;
- (b) does not make or purport to make any statement in this Supplementary Target's Statement or any statement on which a statement in this Supplementary Target's Statement is based, other than as included in the Revised IVR and statements in this Supplementary Target's Statement based on its Revised IVR; and
- (c) takes no responsibility for any part of this Supplementary Target's Statement other than the Revised IVR and statements in this Supplementary Target's Statement based on the Revised IVR and any reference to its name.

The information in this Supplementary Target's Statement, the Supplementary IER and Revised IVR that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as

a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (**JORC Code 2012**). Mr Castle consents to the inclusion in this Supplementary Target's Statement, the Supplementary IER and Revised IVR of the matters based on his information in the form and context in which it appears.

The information in this Supplementary Target Statement, the Supplementary IER and Revised IVR which relates to Exploration Results, Mineral Resources or Ore Reserves was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. All material assumptions and technical parameters underpinning the estimates of Mineral Resources continue to apply and have not materially changed.

Each Gondwana Director has given, and has not withdrawn before the lodgement of this Supplementary Target's Statement with ASIC, its written consent to the making of statements in this Supplementary Target's Statement that they intend to reject the Revised Offer in respect of the Gondwana Shares held by them or on their behalf (either only in relation to the parcel of Gondwana Shares that they own, control or represent, or in aggregate with other parcels of Gondwana Shares owned, controlled or represented by other Gondwana Shareholders who also intend to reject, or cause to be rejected, the Revised Offer).

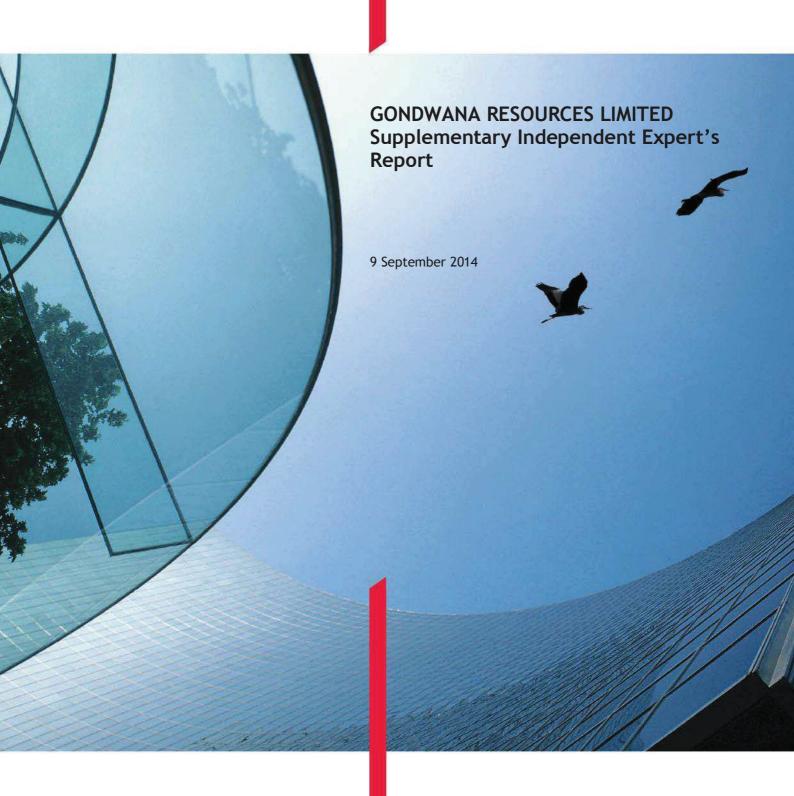
## 4. DIRECTOR'S AUTHORISATION

This Supplementary Target's Statement has been approved by a resolution passed by the Directors of Gondwana. This Supplementary Target's Statement is dated 10 September 2014.

Signed for and on behalf of Gondwana Resources Limited

Steven Pynt Director

# ANNEXURE A - SUPPLEMENTARY INDEPENDENT EXPERT'S REPORT







## Financial Services Guide

#### 9 September 2014

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Gondwana Resources Limited ('Gondwana') to provide an independent expert's report on the takeover bid from Ochre Group Holdings Ltd ("Ochre") of 11.5 cents per share in cash for each Gondwana share. You will be provided with a copy of our report as a retail client because you are a shareholder of Gondwana.

#### Financial Services Guide

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

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

#### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

#### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

## General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.



## Financial Services Guide

Page 2

#### Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$32,000.

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

Other Assignments In the last two years BDO Corporate Finance (WA) Pty Ltd has received \$7,772 for valuation services in respect of a royalty stream.

#### Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Gondwana for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

#### Referrals

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

#### Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

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

#### Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website <a href="www.fos.org.au">www.fos.org.au</a> or by contacting them directly via the details set out below.

Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001

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

Email: info@fos.org.au

#### **Contact details**

You may contact us using the details set out on page 1 of the accompanying report.



# **TABLE OF CONTENTS**

1.	Introduction	1
2.	Updates	1
3.	Valuation of Gondwana shares	4
4.	Val1uation of consideration	6
5.	Is the Offer fair?	6
6.	Is the offer reasonable?	7
7.	Conclusion	9
8.	Disclaimers and consents	9

Appendix 1 - Independent Specialist Report



9 September 2014

The Directors
Gondwana Resources Limited
230 Rockeby Road
SUBIACO WA 6008

**Dear Directors** 

## INDEPENDENT EXPERT'S REPORT

## 1. Introduction

On 12 May 2014 Ochre Group Holdings Limited ("Ochre") announced an off market takeover bid for Gondwana Resources Limited ("Gondwana" or 'the Company'). Ochre issued a Bidders statement on 2 July 2014, under the terms of the bid Ochre is offering cash consideration of \$0.082 per Gondwana share ('the Offer'). On 18 August Ochre varied their takeover bid to provide consideration of \$0.115 per Gondwana share and declared the offer free from certain conditions ('the Revised Offer').

This report should be read in conjunction with our report dated 16 July 2014

## 2. Updates

The following changes have occurred to our Report dated 16 July 2014.

## 2.1 Opinion

Section 2.3 of our Report is replaced with.

We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Revised Offer is fair and reasonable to Shareholders.

#### 2.2 Fairness

Section 2.4 is replaced with

In section 12 we determined that the Offer consideration compares to the value of a Gondwana share, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of a Gondwana share	4.1	0.0454	0.0688	0.1138
Value of the consideration		0.115	0.115	0.115

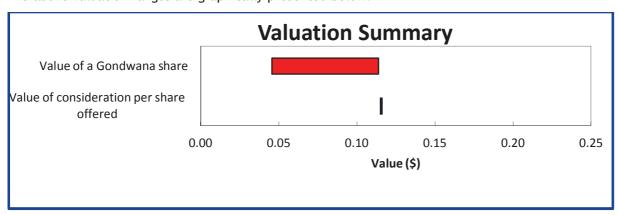
Source: BDO analysis



The decrease in value of Gondwana from our previous Report dated 16 July is as a result of more up to date financial information being provided to us. During the period 1 April to 31 July to which the updated information relates there has been further expenses incurred by the Company which has reduced the net asset position.

We note that the Corruna Downs royalty is not included in the above valuation of Gondwana. Due to the requirements of RG 170 we are unable to ascribe a value to this asset as Atlas has not declared a reserve. Which means that we do not have a reasonable basis upon which to forecast future cash flows arising from this royalty. We note that as at the date of our report the announced Inferred Resource at Corruna Downs is 51 million tonnes. Under the Corruna Downs royalty, Atlas must pay Gondwana \$1.13/tonne on the production of iron ore and other minerals which Gondwana holds over the Corruna Downs Iron Ore Project. On 9 May 2014, Atlas released results regarding resources estimates and targets at the Corruna Downs Iron Ore Project. Refer to Atlas's announcement for further details.

The above valuation ranges are graphically presented below:



Source: BDO Analysis

The above pricing indicates that, in the absence of any other relevant information, and a superior offer, the Revised Offer is fair for Shareholders.

#### 2.3 Reasonableness

Section 2.5 of our Report is replaced with

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Offer; and
- other considerations, including the position of Shareholders if the Offer is not successful and the consequences of not approving the Offer.

In our opinion, the position of Shareholders if the Offer is successful is that it is more advantageous than the position if the Offer is not successful. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Offer is reasonable for Shareholders.



# The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES								
Section	Advantages	Section	Disadvantages					
7.4	Certainty of cash consideration	7.5	Inability to benefit from potential upside in Gondwana's interest in the Corunna Down's Royalty					
7.4	The Revised Offer is fair							
7.4	Removes future risks associated with holding shares in Gondwana							

# Other key matters we have considered include:

Section	Description
7.1	Alternative Proposal
7.2	Practical level of control
7.3	Consequences of not accepting the Offer



# 3. Valuation approach adopted

Section 9 is amended to reflect the following

We have been advised by the Directors of Gondwana that they are no longer seeking to progress towards operation of the Parker Range Project. Due to this we do not consider that a DCF approach is appropriate and we have instructed Agricola Mining Consultants to provide an independent specialists current market valuation to us. Agricola's updated report may be found in Appendix 1.

## 4. Valuation of Gondwana shares

Section 10.1 is replaced with

## 4.1 Net Asset Valuation of Gondwana

The value of Gondwana's assets on a going concern basis is reflected in our valuation below:

		Unaudited as at			
Valuaton of Gondwana	Ref	31-July-14	Low value	Preferred value	High value
CURRENT ASSETS		\$	\$	\$	\$
Cash and cash equivalents		29,299	29,299	29,299	29,299
Other receivables		28,150	28,150	28,150	28,150
TOTAL CURRENT ASSETS	-	57,449	57,449	57,449	57,449
NON-CURRENT ASSETS					
Deferred exploration & evaluation expenditure	a	100,300	1,930,000	2,500,000	3,600,000
Property, plant and equipment		2,387	2,387	2,387	2,387
TOTAL NON-CURRENT ASSETS		102,687	1,932,387	2,502,387	3,602,387
TOTAL ASSETS		160,136	1,989,836	2,559,836	3,659,836
CURRENT LIABILITIES					
Trade and other payables		664,059	664,059	664,059	664,059
Interest bearing liabilities		215,848	215,848	215,848	215,848
TOTAL CURRENT LIABILITIES		879,907	879,907	879,907	879,907
TOTAL LIABILITIES		879,907	879,907	879,907	879,907
NET ASSETS		(719,771)	1,109,929	1,679,929	2,779,929
Shares on issue (number)	b	24,433,440	24,433,440	24,433,440	24,433,440
Value per share (\$) undiluted			0.0454	0.0688	0.1138
Source: BDO analysis					

Source: BDO analysis



The decrease in value of Gondwana from our previous Report dated 16 July is as a result of more up to date financial information being provided to us. During the period 1 April to 31 July there has been further expenses incurred by the Company which has reduced the net asset position.

The table above indicates the net asset value of a Gondwana share is between \$0.0454 and \$0.1138 with a preferred value of \$0.0688. The decrease in net assets since 31 December 2013 is due to the continued expenditure, including in relation to the Offer with the Company unable to raise funds in accordance with the ruling of the Takeovers Panel.

The following adjustments were made to the net assets of Gondwana as at 31 December 2013 in arriving at our valuation.

## Note (a) Valuation of Gondwana's mineral assets

We instructed Agricola to provided an independent market valuation of the exploration assets held by Gondwana in accordance with the VALMIN Code. Agricola considered a number of different valuation methods when valuing the exploration assets of Gondwana. Agricola applied the Geo Factor method and the PEM method. These methods are discussed in Agricola's report in Appendix 1. We consider these methods to be appropriate given the pre feasibility stage of development for Gondwana's exploration assets.

The range of values for each of Gondwana's exploration assets as calculated by Agricola is set out below:

Gondwana	Low value	Preferred value	High value
Mineral Asset Valuation	\$	\$	\$
Agricola valuation	1,930,000	2,500,000	3,600,000

Source: Agricola Report at Appendix 1

#### 4.2 Assessment of Gondwana Value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Net assets value (Section 4.1)	0.0454	0.0688	0.1138
ASX market prices (Section 10.2 original Report)	0.0715	0.0918	0.112

Source: BDO analysis

Based on the results above we consider the value of a Gondwana share to be between \$0.454 and \$0.1138, with a preferred value of \$0.0688.

We have relied on the net asset value in forming our valuation opinion due to the low level of liquidity of Gondwana's share trading. As previously noted we do not consider the trading to be deep as there is a low level of liquidity with trading concentrated in a small time period as well as a degree of volatility being present. We note that in the 60 day period the recent price and volume has been influenced by the activity of Ochre acquiring shares as disclosed in section 6.3 of the Bidders Statement. In the absence of this activity we consider the liquidity of Gondwana to be low and reduces the reliability of QMP.



We note that the Corruna Downs royalty is not included in the above valuation of Gondwana. Due to the requirements of RG 170 we are unable to ascribe a value to this asset as Atlas has not declared a reserve. Which means that we do not have a reasonable basis upon which to forecast future cash flows arising from this royalty. Under the Corruna Downs royalty, Atlas must pay Gondwana \$1.13/tonne on the production of iron ore and other minerals which Gondwana holds over the Corruna Downs Iron Ore Project. On 9 May 2014, Atlas released results regarding resources estimates and targets at the Corruna Downs Iron Ore Project. Refer to Atlas's announcement for further details.

## 5. Valuation of consideration

Section 11 should be replaced with

In accordance with the terms of the Offer Ochre is providing consideration of \$0.115 cash per Gondwana share.

## 6. Is the Offer fair?

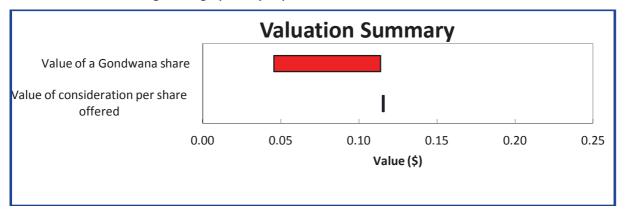
Section 12 should be replaced with

The value of a Gondwana share compared to the Offer consideration is illustrated below:

	Ref	Low \$	Preferred \$	High \$
Value of a Gondwana share	3.2	0.0454	0.0688	0.1138
Value of the consideration		0.115	0.115	0.115

We note from the table above that the preferred value of a Gondwana share is less than the value of consideration. Therefore, we consider that the Revised Offer is fair.

The above valuation ranges are graphically represented below:



Source: BDO Analysis



## 7. Is the offer reasonable?

Section 13 should be replaced with the following

## 7.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Gondwana a premium over the value ascribed to the Revised Offer.

#### 7.2 Practical Level of Control

Under the conditions of the Offer there is a 50% minimum level of acceptance by Shareholders. Therefore Ochre may acquire an interest of between 50% and 100% of the Company.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter.

If Ochre acquires more than 50% and less than 90% of Gondwana shares then Ochre would be able to pass general resolutions and block special resolutions, and may be able to pass special resolutions (if over 75%). In this scenario Ochre's intentions include to:

- · Maintain Gondwana's ASX listing
- Review the composition of the board of directors of Gondwana and request representation on the board that is commensurate with its shareholding in Gondwana, Ochre is currently seeking to have the four board members replaced; and
- Review the operations and assets of Gondwana.

Should Ochre acquire 90% or more of shares in Gondwana then Ochre would be able to pass general and special resolutions. In this scenario Ochre's intentions include to:

- Compulsorily acquire the outstanding Gondwana shares in accordance with the Corporations Act;
- Arrange for Gondwana to be removed from the Official List of the ASX; and
- Replace all members of the board of directors of Gondwana with its own nominees.

Ochre's control of Gondwana following the Offer may be significant when compared to all other shareholders depending on the level of acceptance of the Offer by Shareholders.

## 7.3 Consequences of not Approving the Offer

## Consequences

If the Revised Offer is not sucessful the Directors will continue with their objective of gold and mineral exploration in the Parker Range, Pilbara and Gascoyne regions, Western Australia.



# 7.4 Advantages of Accepting the Offer

We have considered the following advantages when assessing whether the Offer is reasonable.

Advantage	Description
Certainty of cash consideration	The cash consideration that has been offered by Ochre would allow Gondwana Shareholders to realise cash for their investment without incurring brokers' fees. No dividends have been paid on Gondwana shares to date.
	The consideration of cash of \$0.115 is a fixed and definite amount, and is not subject to the inherent risks that will affect the quoted market price of a Gondwana share, including the risk of fluctuations in value of the Gondwana exploration assets.
	There may be capital gains tax implications for Shareholders, and Shareholders should consult with their own tax advisors to determine any individual tax implications from acceptance of the Offer
Removes future risks associated with holding shares in Gondwana	The Offer removes the risks that Shareholders bear from continuing to hold Gondwana shares. These risks include, but are not limited to, the following:
	<ul> <li>Development of projects into cash generating assets;</li> </ul>
	<ul> <li>Deterioration in market conditions; and</li> </ul>
	Future funding.

# 7.5 Disadvantages of Accepting the Offer

If the Offer is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Inability to benefit from potential upside in Gondwana's interest in the Corunna Downs Royalty	On 15 November 2011 Gondwana Resources Limited announced that it had entered into an agreement with Atlas Iron Limited to sell it's interest in the Corruna Downs Iron Prospect in the Pilbara for \$2.1 milion in cash, to be paid in 3 tranches. The agreement was replaced by a subsequent agreement announced on 12 October 2012 with Gondwana to retain a royalty of \$1.13 per tonne for all iron ore sold.
	Due to the requirements of RG 170 we are unable to ascribe a value to this asset as Atlas has not declared a reserve. Which means that we do not have a reasonable basis upon which to forecast future cash flows arising from this royalty. We note that as at the date of our report the announced Inferred Resource at Corruna Downs is 51 million tonnes. Under the Corruna Downs royalty, Atlas must pay Gondwana \$1.13/tonne on



the production of iron ore and other minerals which Gondwana holds over the Corruna Downs Iron Ore Project. On 9 May 2014, Atlas released results regarding resources estimates and targets at the Corruna Downs Iron Ore Project.

If Shareholders accept the offer they will not be exposed to the potential upside of Royalty Revenue should Atlas move the Project into production. Refer to Atlas's announcement for further details.

## 8. Conclusion

Section 14 should be replaced with the following

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Revised Offer is fair and reasonable to the Shareholders of Gondwana.

## 9. Disclaimers and consents

This report has been prepared at the request of Gondwana for inclusion in the Supplementary Targets Statement which will be sent to all Gondwana Shareholders. Gondwana engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider if the Revised Offer from Ochre is fair and reasonable to shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Supplementary Target's Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Supplementary Target's Statement other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Gondwana and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actual be achieved. BDO Corporate Finance (WA) Pty Ltd disclaims any possible liability in respect of these forecasts. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Offer, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Gondwana, or any other party.



BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Gondwana.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD** 

Sherif Andrawes

Director

**Adam Myers** 

MM flyen

Director



# Appendix 1 - Independent Specialist Report



Malcolm Castle Agricola Mining Consultants Pty Ltd

P.O. Box 473, South Perth, WA 6951 Mobile: 61 (4) 1234 7511

Email: mcastle@castleconsulting.com.au

ABN: 84 274 218 871

8 September 2014

The Directors BDO Corporate Finance (WA) Pty Ltd 38 Station Street Subiaco, WA, 6008

Dear Sirs,

#### Re: INDEPENDENT VALUATION OF THE MINERAL ASSETS in WESTERN AUSTRALIA

#### **HELD BY GONDWANA RESOURCES LIMITED**

We have been commissioned by the Directors of BDO Corporate Finance (WA) Pty Ltd ("BDO") to provide a Mineral Asset Valuation Report ("Report") of the Mineral Assets in Western Australia held by Gondwana Resources Limited (the "Company"). This Report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the exploration assets based on the information in this Report.

The present status of the tenements in Western Australia is based on information made available by the Company and verified by us by reference to the Department of Mines and Petroleum, Western Australia. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

## **DECLARATIONS**

## Relevant codes and guidelines

This report has been prepared as a technical assessment and valuation in accordance with the *Code* for *Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code", 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (*Regulatory Guides RG111 and RG112, March 2011*).

Where mineral resources and Ore Reserves have been referred to in this report, the information was prepared and first disclosed under the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2004 and 2012 as appropriate. Some of the information has not been updated since the estimation date to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Under the definition provided by the VALMIN Code, the property is classified as an 'advanced exploration area' with identified mineral resources, which is inherently speculative in nature. The property is considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of its economic potential.

## **Sources of Information**

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to BDO, along with a written request to identify any material errors or omissions prior to lodgement.

In compiling this report, I did not carry out a site visit to any of the Company's Project areas. Based on my professional knowledge, experience, previous visits to the general area and the availability of extensive databases and technical reports made available by various Government Agencies, I consider that sufficient current information was available to allow an informed appraisal to be made without such a visit.

The independent valuation report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

#### **Qualifications and Experience**

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

**Malcolm Castle** has over 45 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company over 25 years ago and specialises in exploration management, technical Audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical

Audits in many countries. He has completed numerous Independent Geologist's Reports and mineral asset valuations over the last decade as part of his consulting business.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

## **Competent Persons Statement**

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle who is a member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2004 and 2012 Editions of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

## Scope of the Valuation Report

This mineral asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

This is commonly known as the *Spencer test* after the High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value of a property. In attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is assumed that the property will be put to its "highest and best use".

The findings of the valuation report include an assessment of the technical value (i.e. the value implied by a consideration of the technical attributes of the asset) and a market value (which considers the influences of external market forces and risk).

Applying the *Spencer test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during 'boom' conditions or a depressed market during 'bust' conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with the current market for mineral properties.

## Independence

I am not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the Projects or the Company. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this

report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully



B.Sc.(Hons) MAusIMM, GCertAppFin (Sec Inst) Agricola Mining Consultants Pty Ltd

## **TENEMENT SCHEDULE**

## **Western Australian Tenements**

GONDWANA RESOURCES LIMITED - TENEMENT SCHEDULE						
Tenement Parker Range	Holder e Gold Project	Status	<b>Grant Date</b>	Are	ea	Not e
N477/657 I	CONDWANA DESCUIDCES LIMITED	Granted	2/02/1005	0.62	НА	
M77/657-I	GONDWANA RESOURCES LIMITED	Granted	2/02/1995 14/12/200		HA	
M77/893	CERRO RESOURCES NL	Granted	0	8		1
M77/762-I	GONDWANA RESOURCES LIMITED	Granted	21/01/200 7	867	HA	
NA77/762 I	CONDWANA DECOURCES LIMITED	Cuantad	21/01/200	005	НА	
M77/763-I	GONDWANA RESOURCES LIMITED	Granted	7	905	HA	
M77/562	BARCLAY HOLDINGS LTD	Granted		78		2
M77/567-I	GONDWANA RESOURCES LIMITED	Granted	29/12/199 2	4.85	НА	
	GONDW/N/N NESCONCES ENVIYED	Grantea	25/03/198	9.18	HA	
M77/89	GONDWANA RESOURCES LIMITED	Granted	6 13/08/200	9	HA	
P77/3696	GONDWANA RESOURCES LIMITED	Granted	13/08/200	4	пΑ	
D77/2002	CONDWANA DECOUDES UNAITED	Cuantad	13/08/200	10	НА	
P77/3692	GONDWANA RESOURCES LIMITED	Granted	8 13/08/200	19	HA	
P77/3693	GONDWANA RESOURCES LIMITED	Granted	8	10	•	
P77/3694	GONDWANA RESOURCES LIMITED	Granted	13/08/200 8	89	НА	
17773031	00.00.00.00.00.00.00.00.00.00.00.00.00.	Grancea	J	03	HA	
M77/561	BARCLAY HOLDINGS LTD e Northern Group	Granted		224		2
Tarker Kang	e Northern Group		31/10/198	50.1	НА	
M77/52	GONDWANA RESOURCES LIMITED	Granted	20/06/201	9 12.3	HA	1
P77/3720	GONDWANA RESOURCES LIMITED	Granted	30/06/201 1	3	ПА	
	e Toomey Hills Group		0=/10/100			
M77/565-I	GONDWANA RESOURCES LIMITED	Granted	27/12/199 2	50	HA	
			_		НА	
M77/1018	GONDWANA RESOURCES LIMITED	Granted	3/07/2007 15/10/200	16	HA	
P77/3730	GONDWANA RESOURCES LIMITED	Granted	9	141		
D77/2724	CONDWANA DECOURCE UNATER	Crantad	15/10/200	117	НА	
P77/3731	GONDWANA RESOURCES LIMITED	Granted	9 15/10/200	117	HA	
P77/3732	GONDWANA RESOURCES LIMITED	Granted	9	196		
P77/3800 Parker Range	GONDWANA RESOURCES LIMITED  e Dulcie Group	Granted	15/10/200 9	74	HA	

1						i
NA77/CC0	CONDWANA DECOUDES UNITED	Cuantad	24/01/199	402	НА	
M77/669	GONDWANA RESOURCES LIMITED	Granted	5 13/08/200	493	HA	
P77/3701-I	GONDWANA RESOURCES LIMITED	Granted	8	138		
			13/08/200		НА	
P77/3703	GONDWANA RESOURCES LIMITED	Granted	8	14		3
P77/3704-I	GONDWANA RESOURCES LIMITED	Granted	13/08/200 8	190	HA	3
P77/3704-1	GONDWANA RESOURCES LIMITED	Granteu	13/08/200	190	HA	3
P77/3705-I	GONDWANA RESOURCES LIMITED	Granted	8	200		3
			18/02/200		НА	
P77/3727	AUDAX MINERALS PTY LTD	Granted	9	192		4
P77/3728	AUDAX MINERALS PTY LTD	Granted	18/02/200 9	181	HA	4
177/3720	AODAX IVIINENAEST TI ETD	Granted	18/02/200	101	HA	7
P77/3729	AUDAX MINERALS PTY LTD	Granted	9	174		4
			22/12/199		НА	
M77/423	GONDWANA RESOURCES LIMITED	Granted	2	200		
E77/1362	e Eastern Group  GONDWANA RESOURCES LIMITED	Granted	5/10/2009	46	BL.	
L///1302	GONDWANA RESOURCES ENVITED	Granted	30/09/201	40	DL.	
E77/1734	GONDWANA RESOURCES LIMITED	Granted	1	28	BL.	
Parker Rang	e - Forrestania	55115111				
E77/2143	GONDWANA RESOURCES LIMITED	PENDIN G		24	BL.	
1	ranium Projects	G		24	DL.	
Red Rock						
Bore						
E00/4066	CONDIMANA DESCUIDAS UNAITED	C	20/01/201	4.4	D.I	
E08/1966	GONDWANA RESOURCES LIMITED	Granted	1 20/01/201	11	BL.	
E08/1967	GONDWANA RESOURCES LIMITED	Granted	20/01/201	22	BL.	
,			20/01/201			
E08/1968	GONDWANA RESOURCES LIMITED	Granted	1	4	BL.	
500/2040	CONDIMANA DESCUIDAS UNAITED	Cuantad	20/01/201	4.4	DI	
E08/2049	GONDWANA RESOURCES LIMITED	Granted PENDIN	1	44	BL.	
E08/2410	GONDWANA RESOURCES LIMITED	G		57	BL.	
Deep Bore						
E08/2001	GONDWANA RESOURCES LIMITED	Granted	4/10/2011	19	BL.	
E08/2044	GONDWANA RESOURCES LIMITED	Granted	4/10/2011	37	BL.	
Weaner Bore						
E09/1969	GONDWANA RESOURCES LIMITED	Granted	3/05/2011	58	BL.	
1	are Earths Project		· •			
Mick and Te	d Well					
F00/1C14	CONDIMANA DESCUIDAS UNAITED	المعاملة المعاملة	11/11/201	C 4	וח	
E09/1614	GONDWANA RESOURCES LIMITED	Granted	1 11/11/201	64	BL.	
E09/1615	GONDWANA RESOURCES LIMITED	Granted	11/11/201	64	BL.	
•						ı

East Pilbara Gobbos	Projects, WA							
			21/01/201					
E45/3326	GONDWANA RESOURCES LIMITED	Granted	1	68	BL.	5		
Panorama								
E45/4110	GONDWANA RESOURCES LIMITED	Granted	4/06/2013	21	BL.			
<b>Comet East</b>								
		PENDIN						
E45/3956	GONDWANA RESOURCES LIMITED	G		4	BL.			
Other								
		PENDIN						
E46/1026	GONDWANA RESOURCES LIMITED	G		69	BL.			
Notes								
1	Cerro Resources NL 30% (carried to feasibility study)							
2	Barclay Holdings 30%							
3	Kagara holds nickel rights							
4	Audax 20%							
5	Adelaide Prospecting Pty Ltd 10%, Platypus Minerals Ltd farming in to earn a 75% interest							

The status of the tenements has been verified based on a recent independent inquiry of the Department of Mines and Petroleum, WA, database by me, pursuant to paragraph 67 of the Valmin Code. The tenements are believed to be in good standing at the date of this valuation as represented by the Company. Some future events such as the grant (or otherwise) of expenditure exemptions and plaint action may impact on the valuation and may give grounds for a reassessment.

## **PROJECT REVIEW**

#### The Parker Range Gold Project

#### **Buffalo, Spring Hill and Centenary Deposits**

The Company has estimated a Mineral Resource in accordance with the JORC Code for the Spring Hill Deposit.

Resource Category	Tonnes	Grade (g/t)	Cut ounces* (Au)	
Buffalo		18		
Indicated	292,200	2.4	22,200	
Inferred	62,800	1.6	3,200	
Buffalo total	355,000	2.2	25,400	
Spring Hill				
Indicated	226,400	2.0	14,250	
Inferred	180,300	2.0	11,500	
Spring Hill total	406,700	2.0	25,750	
Centenary		8		
Indicated	391,000	2.4	30,400	
Inferred	166,000	1.8	9,900	
Centenary total	557,000	2.2	40,300	
Total Project	1			
Indicated	909,600	2.3	66,850	
Inferred	409,100	1.8	24,600	
Project grand total	1,318,700	2.1	91,450	

\*Resource reported at a 1.00 g/t Au lower cut and variable top cuts
1kg screen fire assay results were used for estimation of high grade zones where possible
Assay results are primarily from RC drilling with diamond holes as required
Specific Gravity density values were derived from the Centenary and Buffalo diamond drill core measurements

Details of the estimate and the parameters are included in the Company's ASX release "Activities Report for the June Quarter 2013" ("ASX Release").

## **Competent Persons Statement**

The information in the Annual Report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 and 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Malcolm Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information contained in this Mineral Resource summary replicates information contained in the ASX Release.

The author of this Report is not aware of any new information or data that materially affects the information included in the ASX Release and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the ASX Release continue to apply and have not materially changed. The form and context in which the findings of Mr Castle (Competent Person) are presented have not been materially modified.

Ore Reserves were also estimated for the Spring Hill deposit based on applying mining parameters that reflect current operating costs, gold price and recovery parameters; however no formal feasibility study was completed for this deposit.

#### **Northern Group**

The Northern Group is located between the Southern Star gold mine and the Great Victoria gold mine at Marvel Loch. These tenements were drilled by Sons of Gwalia during 1999. The Antares prospect was discovered by Sons of Gwalia using aircore drilling. This area contains a number of significant gold intersections, including an ounce/tonne gold intersect in diamond drill core, and the mineralisation remains open. A supergene enrichment zone at Antares was later drilled beneath using diamond holes. The best gold intersection is within diamond drill hole LKD391, which remains open down plunge and down dip.

#### **Toomey Hills Group**

The Toomey Hills Group tenements are located about 1 km from the north-eastern margin of the granite dome contact. Gold has been previously mined from the Toomey Hills area with production estimated at 3,180 oz of gold from 3,400t of ore.

The Toomey Hills gold mines, immediately east of this group, are located along the Groper shear zone with a foliation striking 290-310° and dipping 60-80° towards the north-east. Gold-bearing quartz veins are intercalated within the shear zone, generally along lithological contacts. This brittle ductile shear zone extends through the tenement, clearly offsetting earlier structures and remains poorly tested.

#### **Dulcie Group**

The Dulcie tenements contain shallow gold mineralisation at Langley Central under an old laterite gold mine. The Langley central gold project operated in the mid-1980s and mining ceased in 1988. Thames Mining mined the laterite from 2m to 5m depth, and their historic reports outline further mineralisation. The mined area was a surface expression of quartz veined shears within a BIF or iron rich amphibolite unit.

The Company has identified significant undrilled potential in this tenement group along the magnetic BIF unit, which also hosts the gold at Dulcie and Cheritons gold mines. The Intrepid Pig prospect is located along the western margin of the Dulcie Group tenements and has gold in historic drilling which remains open.

## **Eastern Group (East Parker Dome)**

The Eastern Group comprises two tenements around the east of the Parker Granite Dome. Within the southern tenement in the group is gold mineralisation at the Milky Way East prospect in an area that may also hold untested copper potential.

The Milky Way East mineralisation was discovered in the late 1980's and occurs within a gabbro, adjacent to the sheared boundary between a gabbro and the central sediment package. The area has been recognised on broad 400m line spaced drill results and mineralisation extends over 800 metres). The gold mineralisation is open towards the south where it is covered by thick deposits (20m) of transported red clay, sand and alluvial grits which mask bedrock gold mineralisation in soil surveying.

A shear zone contact with the gabbro, while showing gold mineralisation, is thought prospective for copper as past assaying did not include analysis for copper.

#### **EAST PILBARA PROJECTS**

#### Gobbo's Copper-Molybdenum Prospect (E45/3326)

This tenement contains the Gobbo's Prospect with Copper and Molybdenum mineralisation being discovered in diamond drilling (from 1980). A detailed aeromagnetic survey identified a demagnetized zone and Copper-Molybdenum mineralisation was found in the creek bed during follow-up work.

## Other Pilbara tenements

High gold in soils required a top cut of 50ppb due to their strength so the data could be compared around the eastern margin of the Parker Dome. A +20ppb gold soil response was identified in the Boodarding Rock tenement, and this has yet to be drill tested.

#### **Forrestania**

The Forrestania project contains a gold-bearing laterite, from an historic prospect referred to as the Blue Turtle prospect. No drill logs can be located but the drill locations are noted on plans. Shallow drilling on 100m spaced lines either side failed to delineate any continuity. In this area, depletion zones combined with near vertical gold shoots in the unweathered basement are often beneath near-surface oxide mineralisation, and it appears no deep RC drilling has been undertaken at this prospect.

## **GASCOYNE PROJECTS**

## **Uranium**

The most prospective of the targets in this group is Red Rock Bore, where airborne radiometric anomalies are associated with a uraniferous granite at or adjacent to a Lower Proterozoic unconformity. Rock chip and channel sampling completed in 2011 indicates radiometric anomalies are associated with supergene enrichment in weathered exfoliated granite dated at 1681±10Ma. The granite straddles the Lower-Middle Proterozoic unconformity.

#### **Rare Earths**

Mick Well and Ted Well (E09/1614-15)

In 2012, a radiometric and magnetic survey was flown across the area. Reconnaissance rock chip samples were taken prior to the airborne survey and focused on delineating near surface uranium mineralisation. A single rock chip contained a number of rare earths from a small, covered pegmatite near Ted Well, justifying additional research which has now been carried out specifically for Rare Earth Elements (REE).

In 1977 Esso mapped a radiometric hot Granodiorite with Alaskites across the Mick Well area. Microscope work on a rock chip sample number 151 was classified as an Allanite Granite. This rock contains an estimated 20% metamict allanite by visual estimation. Sample 151 has been classified as a biotite metamict-allanite quartz microcline rock or an Allanite Granite. This rock contains a visual estimated 20% metamict allanite. Monazite and possibly xenotime are in 3% of the thin section area.

A 300m long, 120ppm Thorium anomaly is identified 1,400m to the north east of the Mick Well copper occurrence, and striking across the geology in a north east direction.

## Thorium Radiometric Targets

The 100m line spaced airborne radiometric / magnetic survey delineated a number of strong thorium dyke-like responses. Some of these dykes are strong on all radiometric channels and some are more subtle, related to thorium only responses. The site of the covered Ted Well pegmatite dyke previously sampled in the creek bed will be tracked on the ground.

## **VALUATION ASSESSMENT**

The **Buffalo**, **Spring Hill and Centenary Deposits** have estimated Mineral Resources in the Indicated and Inferred categories for gold. When a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no full feasibility study) then a *Comparable Transactions* approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets compiled in accordance with the JORC code with appropriate discounts for risk in the different categories.

The method requires allocating a dollar value to the mineral resource in the ground and applying appropriate discounts for JORC Category, operating factors and average acquisition cost for mineral projects. This may also apply to well-established zones of mineralisation that have not formally been categorised under the JORC code in certain cases. An additional risk weighting may be appropriate in these circumstances.

The Mineral Resources are assumed to encapsulate all the value for **the surrounding ground and prospect area** and a separate value for exploration potential for these tenements is not considered warranted.

The remainder of the **Western Australian Projects**, including the Exploration Licences and Prospecting Licences, are exploration projects. Several methods of valuation are available for such projects where a Mineral Resource has not yet been estimated in accordance with the JORC code. These include the use of valuations based on past exploration expenditure and valuations based on perceived prospectivity.

Exploration projects can be extremely variable and the use of comparable transactions is unlikely to produce a statistical spread of values for "similar" projects. This method can be used where a Mineral Resource has been estimated. The *Prospectivity Exploration Multiplier (PEM)* is based on past expenditure while the Kilburn Geoscience Rating (*Geo-factor Rating*) is based on opinions of the prospectivity hence tenements can have marked variation in value between the methods.

The 'Geo-factor Rating' method of valuation for exploration tenements is the preferred valuation method for the Company's current tenements as it focuses on the future prospectivity of the area.

The Geo-factor Rating method systematically assesses four key technical attributes of a tenement to arrive at a series of factors that are multiplied together to produce a prospectivity rating. The Basic Acquisition Cost (BAC) is the important input to the method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc) and statutory expenditure for a period of 12 months. This is usually expressed as average expenditure per square kilometre. Equity and grant status are also taken into account. Each factor then multiplied serially to the BAC. The 'Base Value' is multiplied by the prospectivity rating to establish the overall technical value of each mineral property.

# **COMPARABLE TRANSACTIONS - Mineral Resources**

#### **MINERAL RESOURCE ESTIMATES**

Resource Estimates in accordance with the JORC Code have been compiled for the Buffalo, Spring Hill and Centenary Deposits and are accepted here for the purpose of the valuation.

Resource Category	Tonnes	Grade (g/t)	Cut ounces* (Au)	
Buffalo		18		
Indicated	292,200	2.4	22,200	
Inferred	62,800	1.6	3,200	
Buffalo total	355,000	2.2	25,400	
Spring Hill				
Indicated	226,400	2.0	14,250	
Inferred	180,300	2.0	11,500	
Spring Hill total	406,700	2.0	25,750	
Centenary		8		
Indicated	391,000	2.4	30,400	
Inferred	166,000	1.8	9,900	
Centenary total	557,000	2.2	40,300	
Total Project	1			
Indicated	909,600	2.3	66,850	
Inferred	409,100	1.8	24,600	
Project grand total	1,318,700	2.1	91,450	

\*Resource reported at a 1.00 g/t Au lower cut and variable top cuts

1kg screen fire assay results were used for estimation of high grade zones where possible

Assay results are primarily from RC drilling with diamond holes as required

Specific Gravity density values were derived from the Centenary and Buffalo diamond drill core measurements

# **Valuation Methodology**

Contained metal is calculated from the deposit tonnes and grade in the categories of the JORC code. The estimated contained value for the Indicated and Inferred Resource is estimated based on current metal prices. The current Australian gold price is approximately **AU\$1.400** and that has been accepted for the valuation

#### **Base Value**

A discount factor is applied to the contained value to recognise the JORC category and allow for resource estimate risk.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	50%

Allowances for operating factors are also included in the assessment:

Operations Factors	Gold	
Recovery	90%	Assume Standard
Mining	90%	Small Scale mining
Processing	90%	Toll Treatment
Rail, Road Transport	90%	Road Transport
Port	100%	Not Required
Capex	100%	Contractor facilities
Marketing	100%	Sales to Mint
Total Operating Discount	66%	

The base value for the project is estimated by multiplying the contained value by the discount factors.

Base Value = [Contained Value]\*[Resource Discount]\*[Operating Discounts]

Base Value A\$M Measured	Spring Hill	Buffalo -	Centenary -
Indicated	9.36	14.50	19.40
Inferred	6.39	1.78	5.29
Exploration Target	-	-	-
Total	15.75	16.28	24.69
A\$ per ounce	602.26	631.47	620.79

#### **Average Acquisition Cost**

A range of average acquisition cost ("AAC") percentages are estimated based on a database of Merger and Acquisitions activity for the period 2006 to 2013. The percentage represents the amount paid for deposits compared to the contained value at the current metal price.

The AAC for projects lies in the range of 2.5% to 6.6%. The data set does not differentiate between resource categories and operational factors and this has been taken into account with risk related discounts applied to the Base Value. Information on sales internationally has shown a pattern for the AAC as shown in the percentile table.

AAC Percentiles, 2006-2013 – Exploration Assets								
Percentile	10th	25th	50th	75th	90th			
AAC	2.2%	2.7%	3.5%	5.6%	6.2%			

For the purpose of this valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles. The Base Value is multiplied by AAC values at those percentiles to arrive at the estimated project technical value.

#### **Technical Value**

Technical Value = [Base Value]\*[Average Acquisition Cost%]

Total Project Technical Value, A\$M	Spring Hill	Buffalo	Centenary
Low	0.43	0.44	0.67
High	0.88	0.91	1.38
Preferred	0.55	0.57	0.86
% of contained value	1.5%	1.6%	1.6%
A\$ per ounce	21.08	22.10	21.73

### **EXPLORATION PROJECTS - GEO-FACTOR RATING METHOD**

#### **Base VALUE**

This represents the exploration cost for the current period of the tenements. The current Base Acquisition Cost (BAC) for exploration projects or tenements at a similar stage is the average expenditure for the first year of the licence tenure. This is considered to be a **BAC of \$400 to \$450 per square kilometre**.

The assessment of value is based on equity in the various projects is shown in the following table.

The Mineral Resources are assumed to encapsulate all the value for **the surrounding ground and prospect area** and a separate value for exploration potential for these tenements is not considered warranted.

A detailed list of all tenements is provided separately in the Tenement Schedule.

Base Value = [Area]\*[Grant Factor]\*[Equity]\*[Base Acquisition Cost]

GONDWANA RESOURCES LIMITED Tenement Factors								
Tenement	Project	Equity	Km <sup>2</sup>	Status	Grant			
Parker Range (	Gold Project							
M77/657-I		100%	0.10	Granted	100%			
M77/893		70%	4.27	Granted	100%			
M77/762-I		100%	8.67	Granted	100%			
M77/763-I		100%	9.05	Granted	100%			
M77/562		70%	0.78	Granted	100%			
M77/567-I		100%	0.05	Granted	100%			
M77/89		100%	0.09	Granted	100%			
P77/3696		100%	0.04	Granted	100%			
P77/3692		100%	0.19	Granted	100%			
P77/3693		100%	0.10	Granted	100%			
P77/3694		100%	0.89	Granted	100%			
M77/561		70%	2.24	Granted	100%			
Parker Range I	Northern Group							
M77/52		70%	0.50	Granted	100%			
P77/3720		100%	0.12	Granted	100%			
Parker Range 1	Toomey Hills Gro	oup						
M77/565-I		100%	0.50	Granted	100%			

M77/1018	100%	0.16	Granted	100%
P77/3730	100%	1.41	Granted	100%
P77/3731	100%	1.17	Granted	100%
P77/3732	100%	1.96	Granted	100%
P77/3800	100%	0.74	Granted	100%
Parker Range Dulcie Group				
M77/669	100%	4.93	Granted	100%
P77/3701-I	100%	1.38	Granted	100%
P77/3703	100%	0.14	Granted	100%
P77/3704-I	100%	1.90	Granted	100%
P77/3705-I	100%	2.00	Granted	100%
P77/3727	80%	1.92	Granted	100%
P77/3728	80%	1.81	Granted	100%
P77/3729	80%	1.74	Granted	100%
M77/423	100%	2.00	Granted	100%
Parker Range Eastern Group				
E77/1362	100%	138.00	Granted	100%
E77/1734	100%	84.00	Granted	100%
Parker Range - Forrestania				
E77/2143	100%	72.00	PENDING	60%
Gascoyne Uranium Projects				
Red Rock Bore				
E08/1966	100%	33.00	Granted	100%
E08/1967	100%	66.00	Granted	100%
E08/1968	100%	12.00	Granted	100%
E08/2049	100%	132.00	Granted	100%
E08/2410	100%	171.00	PENDING	60%
Deep Bore				
E08/2001	100%	57.00	Granted	100%
E08/2044	100%	111.00	Granted	100%
Weaner Bore				
E09/1969	100%	174.00	Granted	100%
Gascoyne Rare Earths Project				
Mick and Ted Well				
E09/1614	100%	192.00	Granted	100%
E09/1615	100%	192.00	Granted	100%
East Pilbara Projects, WA				
Gobbos				
E45/3326	90%	204.00	Granted	100%
Panorama				
E45/4110	90%	63.00	Granted	100%
Comet East				
E45/3956	90%	12.00	Pending	60%
Other				
E46/1026	100%	207.00	Pending	60%

# **Prospectivity Assessment Factors**

An assessment of the prospectivity of tenements was carried out. This includes a consideration of

• Regional mineralization, old and current workings and the validity of conceptual models.

- Local mineralization within the tenements and the application of conceptual models within the tenements.
- Identified anomalies warranting follow up within the tenements.
- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

KILBURN RA	KILBURN RATING CRITERIA - SIMPLIFIED								
Rating	Off Site Factor	On Site Factor	Anomaly Factor	Geological Factor					
				Generally					
				favourable					
	Indications of	Indications of	No targets	geological					
1	Prospectivity	Prospectivity	outlined	environment					
				Generally					
			Exposure of	favourable lithology					
		Targets identified	mineralised zones	with structures or					
	Resource targets	with successful	or surface drilling	exposures of					
2	Identified	early drilling	(RAB)	mineralised zones					
		Grade intercepts							
		on adjacent							
		sections -		Significant					
		Exploration	Significant grade	mineralised zones					
	Along Strike or	Targets	intercepts not yet	exposed in					
	adjacent to known	Estimated from	linked on cross	prospective host					
3	mineralization	sound evidence	and long sections	rocks					
		Inferred Resource	Grade intercepts						
		identified not yet	on adjacent						
4		estimated	sections						

Assessments in each category are based on a set scale (see above and Appendix 1) and are multiplied together to arrive at a "prospectivity index".

Prospectivity Index = [Off Site Factor]\*[On Site Factor]\*[Anomaly Factor]\*[Geology Factor]

GONDWANA RESOURCES LIMITED								Prospectivity Factors
Tenement	Off	Site	On Site		Anomaly			Geology
	Low	High	Low	High	Low	High	Low	High
Parker Range Gold Project								
P77/3696	2.50	2.60	1.50	1.60	1.75	1.85	1.50	1.60
P77/3692	2.50	2.60	1.50	1.60	1.75	1.85	1.50	1.60
P77/3693	2.50	2.60	1.50	1.60	1.75	1.85	1.50	1.60
P77/3694	2.50	2.60	1.50	1.60	1.75	1.85	1.50	1.60
Parker Range Northern Group								
M77/52	1.75	1.85	1.00	1.10	1.00	1.10	1.50	1.60
P77/3720	1.75	1.85	1.50	1.60	1.75	1.85	1.50	1.60
Parker Range Toomey Hills								
Group								
M77/565-I	1.75	1.85	1.00	1.10	1.00	1.10	1.50	1.60
M77/1018	1.75	1.85	1.00	1.10	1.00	1.10	1.50	1.60

P77/3730	1.75	1.85	1.50	1.60	1.75	1.85	1.50	1.60
P77/3731	1.75	1.85	1.50	1.60	1.75	1.85	1.50	1.60
P77/3732	1.75	1.85	1.50	1.60	1.75	1.85	1.50	1.60
P77/3800	1.75	1.85	1.50	1.60	1.75	1.85	1.50	1.60
Parker Range Dulcie Group								
M77/669	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60
P77/3701-I	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60
P77/3703	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60
P77/3704-I	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60
P77/3705-I	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60
P77/3727	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60
P77/3728	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60
P77/3729	1.50	1.60	1.25	1.35	1.10	1.20	1.50	1.60
M77/423	1.50	1.60	1.00	1.10	1.00	1.10	1.50	1.60
Parker Range Eastern Group								
E77/1362, E77/1734	1.25	1.35	1.25	1.35	1.10	1.20	1.25	1.35
Parker Range - Forrestania								
E77/2143	1.10	1.20	1.20	1.30	1.10	1.20	1.25	1.35
Gascoyne Uranium Projects								
Red Rock Bore								
E08/1966	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
E08/1967	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
E08/1968	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
E08/2049	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
E08/2410	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
Deep Bore	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
E08/2001	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
E08/2044	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
Weaner Bore								
E09/1969	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
Gascoyne Rare Earths Project								
Mick and Ted Well								
E09/1614, E09/1615	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
East Pilbara Projects, WA								
Gobbos								
E45/3326	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
Panorama								
E45/4110	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
Comet East								
E45/3956	1.10	1.20	1.10	1.20	1.00	1.10	1.00	1.10
Other								
E46/1026	1.10	1.20	1.10	1.20	1.25	1.35	1.00	1.10

The Mineral Resources are assumed to encapsulate all the value for **Mining Leases** and **Miscellaneous Licences** at the Parker Range Gold Project and a separate value for exploration potential for these tenements is not considered warranted.

# **TECHNICAL VALUE**

An estimate of technical value has been compiled for the tenements based on the base acquisition cost, area, grant status, equity and ratings for prospectivity.

Technical Value = [Base Value]\*[Prospectivity Index]

Tenement         Low         High         Preferred           Parker Range Gold Project         777/3692         0.00         0.00         0.00           P77/3693         -         0.00         0.00         0.00           P77/3694         0.00         0.01         0.00           M77/52         -         0.00         0.00           P77/3720         -         -         -           Parker Range Toomey Hills Group         -         -         -           M77/565-1         0.00         0.00         0.00           M77/1018         -         -         -           P77/3730         0.00         0.01         0.01           P77/3731         0.00         0.01         0.01           P77/3800         0.00         0.00         0.00           P77/3800         0.01         0.01         0.01           P77/3701-1         0.00         0.00         0.00           P77/3702+1         0.00         0.00         0.00           P77/3703         -         -         -           P77/3704-1         0.00         0.00         0.00           P77/3728         0.00         0.00         0.00	GONDWANA RESOURCES LIMITED	Technical Value, A\$M				
P77/3692         0.00         0.00         0.00           P77/3693         -         0.00         0.00           P77/3694         0.00         0.01         0.00           Parker Range Northern Group         -         -         -           M77/52         -         0.00         0.00           P77/3720         -         -         -           Parker Range Toomey Hills Group         -         -         -           M77/565-1         0.00         0.00         0.00           M77/1018         -         -         -           P77/3730         0.00         0.01         0.01           P77/3731         0.00         0.01         0.01           P77/3732         0.01         0.01         0.01           P77/3800         0.00         0.00         0.00           P77/3732         0.01         0.01         0.01           P77/3701-1         0.00         0.00         0.00           P77/3702-1         0.00         0.00         0.00           P77/3724         0.00         0.00         0.00           P77/3725         0.00         0.00         0.00           P77/3729		Low	High	Preferred		
P77/3693         -         0.00         0.01         0.00           P77/3694         0.00         0.01         0.00           Parker Range Northern Group         -         -         -           M77/52         -         0.00         0.00           P77/3720         -         -         -           Parker Range Toomey Hills Group         -         -         -           M77/565-I         0.00         0.00         0.00         0.00           M77/1018         -         -         -         -           P77/3730         0.00         0.01         0.01         0.01           P77/3731         0.00         0.01         0.01         0.01           P77/3732         0.01         0.01         0.01         0.01           P77/3800         0.00         0.00         0.00         0.00           P77/3701-I         0.00         0.00         0.00         0.00           P77/3702-I         0.00         0.00         0.00         0.00           P77/3727         0.00         0.00         0.00         0.00           P77/3728         0.00         0.00         0.00         0.00           P77/3	Parker Range Gold Project					
P77/3694         0.00         0.01         0.00           Parker Range Northern Group         -         -         -           M77/52         -         0.00         0.00           P77/3720         -         -         -           Parker Range Toomey Hills Group         -         -         -           M77/565-I         0.00         0.00         0.00           M77/1018         -         -         -           P77/3730         0.00         0.01         0.01           P77/3731         0.00         0.01         0.01           P77/3732         0.01         0.01         0.01           P77/3800         0.00         0.00         0.00           P77/3780         0.01         0.01         0.01           P77/370-1         0.00         0.00         0.00           P77/3704-1         0.00         0.00         0.00           P77/3727         0.00         0.00         0.00           P77/3728         0.00         0.00         0.00           P77/3729         0.00         0.00         0.00           M77/423         0.00         0.00         0.00           M77/423	P77/3692	0.00	0.00	0.00		
Parker Range Northern Group         -         -         -           M77/52         -         0.00         0.00           P77/3720         -         -         -           Parker Range Toomey Hills Group         -         -         -           M77/565-1         0.00         0.00         0.00           M77/1018         -         -         -           P77/3730         0.00         0.01         0.01           P77/3731         0.00         0.01         0.01           P77/3732         0.01         0.01         0.01           P77/3800         0.00         0.00         0.00           Parker Range Dulcie Group         -         -         -           M77/669         0.01         0.01         0.01           P77/3701-I         0.00         0.00         0.00           P77/3704-I         0.00         0.00         0.00           P77/3727         0.00         0.00         0.00           P77/3728         0.00         0.00         0.00           P77/3729         0.00         0.00         0.00           M77/423         0.00         0.00         0.00           Parker Range	P77/3693	-	0.00	0.00		
M77/52         -         0.00         0.00           P77/3720         -         -         -           Parker Range Toomey Hills Group         -         -         -           M77/565-I         0.00         0.00         0.00           M77/1018         -         -         -           P77/3730         0.00         0.01         0.01           P77/3731         0.00         0.01         0.01           P77/3732         0.01         0.01         0.01           P77/3800         0.00         0.00         0.00           Parker Range Dulcie Group         -         -         -           M77/669         0.01         0.01         0.01           P77/3701-I         0.00         0.00         0.00           P77/3704-I         0.00         0.00         0.00           P77/3727         0.00         0.00         0.00           P77/3728         0.00         0.00         0.00           P77/3729         0.00         0.00         0.00           M77/423         0.00         0.00         0.00           Parker Range Eastern Group         -         -         -           E77/1362	P77/3694	0.00	0.01	0.00		
P77/3720 Parker Range Toomey Hills Group M77/565-I  M77/565-I  0.00 0.00 0.00 0.00 M77/1018	Parker Range Northern Group	-	-	-		
Parker Range Toomey Hills Group M77/565-1 0.00 0.00 0.00 0.00 0.00 M77/1018 P77/3730 0.00 0.01 0.01 0.01 P77/3731 0.00 0.01 0.01 0.01 P77/3732 0.01 0.01 0.01 0.01 P77/3800 0.00 0.00 0.00 0.00 0.00 Parker Range Dulcie Group M77/669 0.01 0.01 0.01 0.01 P77/3701-1 0.00 0.00 0.00 0.00 P77/3703 P77/3704-1 0.00 0.00 0.00 0.00 P77/3727 0.00 0.00 0.00 0.00 P77/3728 0.00 0.00 0.00 0.00 P77/3729 0.00 0.00 0.00 M77/423 0.00 0.00 0.00 0.00 M77/423 0.00 0.00 0.00 P3 Parker Range Eastern Group E77/1362 0.12 0.18 0.15 E77/1734 0.07 0.11 0.09 Parker Range - Forrestania E77/2143 0.03 0.05 0.04 Gascoyne Uranium Projects Red Rock Bore E08/1966 0.02 0.03 0.05 0.04 E08/1968 0.01 0.01 0.05 0.08 0.07 Deep Bore E08/2041 0.03 0.05 0.04 E08/2044 0.05 0.09 0.07 Weaner Bore	M77/52	-	0.00	0.00		
M77/565-I       0.00       0.00       0.00         M77/1018       -       -       -         P77/3730       0.00       0.01       0.01         P77/3731       0.00       0.01       0.00         P77/3732       0.01       0.01       0.01         P77/3800       0.00       0.00       0.00         Parker Range Dulcie Group       -       -       -         M77/669       0.01       0.01       0.01       0.01         P77/3701-I       0.00       0.00       0.00       0.00         P77/3703       -       -       -       -         P77/3704-I       0.00       0.00       0.00       0.00         P77/3727       0.00       0.00       0.00       0.00         P77/3728       0.00       0.00       0.00       0.00         P77/3729       0.00       0.00       0.00       0.00         M77/423       0.00       0.00       0.00       0.00         Parker Range Eastern Group       -       -       -       -         E77/1362       0.12       0.18       0.15       -       -       -       -       -       -       - <td>P77/3720</td> <td>-</td> <td>-</td> <td>-</td>	P77/3720	-	-	-		
M77/1018         -         -         -           P77/3730         0.00         0.01         0.01           P77/3731         0.00         0.01         0.01           P77/3732         0.01         0.01         0.01           P77/3800         0.00         0.00         0.00           P8784 Range Dulcie Group         -         -         -           M77/669         0.01         0.01         0.01           P77/3701-I         0.00         0.00         0.00           P77/3703         -         -         -           P77/3704-I         0.00         0.00         0.00           P77/3727         0.00         0.00         0.00           P77/3728         0.00         0.00         0.00           P77/3729         0.00         0.00         0.00           M77/423         0.00         0.00         0.00           Parker Range Eastern Group         -         -         -           E77/1362         0.12         0.18         0.15           E77/1734         0.07         0.11         0.09           Parker Range - Forrestania         -         -         -           E77/2143	Parker Range Toomey Hills Group	-	-	-		
P77/3730         0.00         0.01         0.01           P77/3731         0.00         0.01         0.00           P77/3732         0.01         0.01         0.01           P77/3800         0.00         0.00         0.00           Parker Range Dulcie Group         -         -         -           M77/669         0.01         0.01         0.01         0.01           P77/3701-I         0.00         0.00         0.00         0.00           P77/3703         -         -         -         -           P77/3704-I         0.00         0.00         0.00         0.00           P77/3727         0.00         0.00         0.00         0.00           P77/3728         0.00         0.00         0.00         0.00           P77/3729         0.00         0.00         0.00         0.00           M77/423         0.00         0.00         0.00         0.00           Parker Range Eastern Group         -         -         -         -           E77/1362         0.12         0.18         0.15         -         -           E77/1734         0.07         0.11         0.09         -         -	M77/565-I	0.00	0.00	0.00		
P77/3731	M77/1018	-	-	-		
P77/3732	P77/3730	0.00	0.01	0.01		
P77/3800         0.00         0.00         0.00           Parker Range Dulcie Group         -         -         -           M77/669         0.01         0.01         0.01           P77/3701-I         0.00         0.00         0.00           P77/3703         -         -         -           P77/3704-I         0.00         0.00         0.00           P77/3727         0.00         0.00         0.00           P77/3728         0.00         0.00         0.00           P77/3729         0.00         0.00         0.00           M77/423         0.00         0.00         0.00           Parker Range Eastern Group         -         -         -           E77/1362         0.12         0.18         0.15           E77/1734         0.07         0.11         0.09           Parker Range - Forrestania         -         -         -           E77/2143         0.03         0.05         0.04           Gascoyne Uranium Projects         -         -         -           Red Rock Bore         -         -         -           E08/1966         0.02         0.03         0.02           E0	P77/3731	0.00	0.01	0.00		
Parker Range Dulcie Group M77/669	P77/3732	0.01	0.01	0.01		
M77/669       0.01       0.01       0.01         P77/3701-I       0.00       0.00       0.00         P77/3703       -       -       -         P77/3704-I       0.00       0.00       0.00         P77/3705-I       0.00       0.00       0.00         P77/3728       0.00       0.00       0.00         P77/3729       0.00       0.00       0.00         M77/423       0.00       0.00       0.00         Parker Range Eastern Group       -       -       -         E77/1362       0.12       0.18       0.15         E77/1734       0.07       0.11       0.09         Parker Range - Forrestania       -       -       -         E77/2143       0.03       0.05       0.04         Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -         E08/1966       0.02       0.03       0.02         E08/1968       0.01       0.01       0.01         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       - <td< td=""><td>P77/3800</td><td>0.00</td><td>0.00</td><td>0.00</td></td<>	P77/3800	0.00	0.00	0.00		
P77/3701-I         0.00         0.00         0.00           P77/3703         -         -         -           P77/3704-I         0.00         0.00         0.00           P77/3705-I         0.00         0.00         0.00           P77/3727         0.00         0.00         0.00           P77/3728         0.00         0.00         0.00           P77/3729         0.00         0.00         0.00           M77/423         0.00         0.00         0.00           Parker Range Eastern Group         -         -         -           E77/1362         0.12         0.18         0.15           E77/1734         0.07         0.11         0.09           Parker Range - Forrestania         -         -         -           E77/2143         0.03         0.05         0.04           Gascoyne Uranium Projects         -         -         -           Red Rock Bore         -         -         -         -           E08/1966         0.02         0.03         0.02         0.03         0.02           E08/1968         0.01         0.01         0.01         0.01         0.01         0.01         0.08 <td>Parker Range Dulcie Group</td> <td>-</td> <td>-</td> <td>-</td>	Parker Range Dulcie Group	-	-	-		
P77/3703       -       -       -         P77/3704-I       0.00       0.00       0.00         P77/3705-I       0.00       0.00       0.00         P77/3727       0.00       0.00       0.00         P77/3728       0.00       0.00       0.00         P77/3729       0.00       0.00       0.00         M77/423       0.00       0.00       0.00         Parker Range Eastern Group       -       -       -         E77/1362       0.12       0.18       0.15         E77/1734       0.07       0.11       0.09         Parker Range - Forrestania       -       -       -         E77/2143       0.03       0.05       0.04         Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -         E08/1966       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05 </td <td>M77/669</td> <td>0.01</td> <td>0.01</td> <td>0.01</td>	M77/669	0.01	0.01	0.01		
P77/3704-I       0.00       0.00       0.00         P77/3705-I       0.00       0.00       0.00         P77/3727       0.00       0.00       0.00         P77/3728       0.00       0.00       0.00         P77/3729       0.00       0.00       0.00         M77/423       0.00       0.00       0.00         Parker Range Eastern Group       -       -       -         E77/1362       0.12       0.18       0.15         E77/1734       0.07       0.11       0.09         Parker Range - Forrestania       -       -       -         E77/2143       0.03       0.05       0.04         Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -         E08/1966       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       <	P77/3701-I	0.00	0.00	0.00		
P77/3705-I         0.00         0.00         0.00           P77/3727         0.00         0.00         0.00           P77/3728         0.00         0.00         0.00           P77/3729         0.00         0.00         0.00           M77/423         0.00         0.00         0.00           Parker Range Eastern Group         -         -         -           E77/1362         0.12         0.18         0.15           E77/1734         0.07         0.11         0.09           Parker Range - Forrestania         -         -         -           E77/2143         0.03         0.05         0.04           Gascoyne Uranium Projects         -         -         -           Red Rock Bore         -         -         -         -           E08/1966         0.02         0.03         0.02         0.04           E08/1968         0.01         0.01         0.01         0.01           E08/2049         0.06         0.10         0.08         0.07           Deep Bore         -         -         -         -           E08/2001         0.03         0.05         0.04           E08/2044	P77/3703	-	-	-		
P77/3727       0.00       0.00       0.00         P77/3728       0.00       0.00       0.00         P77/3729       0.00       0.00       0.00         M77/423       0.00       0.00       0.00         Parker Range Eastern Group       -       -       -         E77/1362       0.12       0.18       0.15         E77/1734       0.07       0.11       0.09         Parker Range - Forrestania       -       -       -         E77/2143       0.03       0.05       0.04         Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -         E08/1966       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04         E08/2049       0.06       0.10       0.01         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -	P77/3704-I	0.00	0.00	0.00		
P77/3728       0.00       0.00       0.00         P77/3729       0.00       0.00       0.00         M77/423       0.00       0.00       0.00         Parker Range Eastern Group       -       -       -         E77/1362       0.12       0.18       0.15         E77/1734       0.07       0.11       0.09         Parker Range - Forrestania       -       -       -         E77/2143       0.03       0.05       0.04         Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -         E08/1966       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -	P77/3705-I	0.00	0.00	0.00		
P77/3729       0.00       0.00       0.00         M77/423       0.00       0.00       0.00         Parker Range Eastern Group       -       -       -         E77/1362       0.12       0.18       0.15         E77/1734       0.07       0.11       0.09         Parker Range - Forrestania       -       -       -         E77/2143       0.03       0.05       0.04         Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -         E08/1966       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04         E08/2049       0.06       0.10       0.08         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -       -	P77/3727	0.00	0.00	0.00		
M77/423       0.00       0.00       0.00         Parker Range Eastern Group       -       -       -         E77/1362       0.12       0.18       0.15         E77/1734       0.07       0.11       0.09         Parker Range - Forrestania       -       -       -         E77/2143       0.03       0.05       0.04         Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -       -         E08/1966       0.02       0.03       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04       0.01       0.01       0.01       0.01       0.01       0.01       0.01       0.01       0.01       0.01       0.01       0.01       0.08       0.07       0.08       0.07       0.08       0.07       0.08       0.07       0.04       0.05       0.09       0.07       0.04       0.05       0.09       0.07       0.04       0.05       0.09       0.07       0.07       0.05       0.09       0.07       0.05       0.09       0.07       0.05       0.09       0.07       0.05       0.09       0.07       0.05       0.09 </td <td>P77/3728</td> <td>0.00</td> <td>0.00</td> <td>0.00</td>	P77/3728	0.00	0.00	0.00		
Parker Range Eastern Group  E77/1362  D.12  D.18  D.15  E77/1734  D.07  Parker Range - Forrestania	P77/3729	0.00	0.00	0.00		
E77/1362       0.12       0.18       0.15         E77/1734       0.07       0.11       0.09         Parker Range - Forrestania       -       -       -         E77/2143       0.03       0.05       0.04         Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -       -         E08/1966       0.02       0.03       0.02       0.04         E08/1967       0.03       0.05       0.04       0.01       0.01       0.01         E08/1968       0.01       0.01       0.01       0.01       0.01       0.01       0.01       0.01       0.01       0.01       0.01       0.08       0.07       0.08       0.07       0.08       0.07       0.08       0.07       0.08       0.07       0.04       0.05       0.09       0.07       0.04       0.05       0.09       0.07       0.07       0.08       0.07       0.09       0.07       0.09       0.07       0.09       0.07       0.09       0.07       0.09       0.07       0.09       0.07       0.09       0.07       0.09       0.07       0.09       0.07       0.09       0.09       0.09       <	M77/423	0.00	0.00	0.00		
E77/1734       0.07       0.11       0.09         Parker Range - Forrestania       -       -       -         E77/2143       0.03       0.05       0.04         Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -         E08/1966       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04         E08/1968       0.01       0.01       0.01         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -       -	Parker Range Eastern Group	-	-	-		
Parker Range - Forrestania       -       -       -         E77/2143       0.03       0.05       0.04         Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -         E08/1966       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04         E08/1968       0.01       0.01       0.01         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -       -	E77/1362	0.12	0.18	0.15		
E77/2143       0.03       0.05       0.04         Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -         E08/1966       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04         E08/1968       0.01       0.01       0.01         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -       -	E77/1734	0.07	0.11	0.09		
Gascoyne Uranium Projects       -       -       -         Red Rock Bore       -       -       -         E08/1966       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04         E08/1968       0.01       0.01       0.01         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -	Parker Range - Forrestania	-	-	-		
Red Rock Bore       -       -       -       -         E08/1966       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04         E08/1968       0.01       0.01       0.01         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -       -	E77/2143	0.03	0.05	0.04		
E08/1966       0.02       0.03       0.02         E08/1967       0.03       0.05       0.04         E08/1968       0.01       0.01       0.01         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -       -	Gascoyne Uranium Projects	-	-	-		
E08/1967       0.03       0.05       0.04         E08/1968       0.01       0.01       0.01         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -       -	Red Rock Bore	-	-	-		
E08/1968       0.01       0.01       0.01         E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -	E08/1966	0.02	0.03	0.02		
E08/2049       0.06       0.10       0.08         E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -	E08/1967	0.03	0.05	0.04		
E08/2410       0.05       0.08       0.07         Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -	E08/1968	0.01	0.01	0.01		
Deep Bore       -       -       -         E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -       -	E08/2049	0.06	0.10	0.08		
E08/2001       0.03       0.05       0.04         E08/2044       0.05       0.09       0.07         Weaner Bore       -       -       -	E08/2410	0.05	0.08	0.07		
E08/2044 0.05 0.09 0.07 Weaner Bore	Deep Bore	-	-	-		
Weaner Bore	E08/2001	0.03	0.05	0.04		
	E08/2044	0.05	0.09	0.07		
E09/1969 0.08 0.14 0.11	Weaner Bore	-	-	-		
	E09/1969	0.08	0.14	0.11		

Gascoyne Rare Earths Project	-	-	-
Mick and Ted Well	-	-	-
E09/1614	0.09	0.15	0.12
E09/1615	0.09	0.15	0.12
East Pilbara Projects, WA	-	-	-
Gobbos	-	-	-
E45/3326	0.09	0.14	0.12
Panorama	-	-	-
E45/4110	0.03	0.04	0.04
Comet East	-	-	-
E45/3956	0.00	0.01	0.00
Other	-	-	-
E46/1026	0.08	0.12	0.10

#### **Exploration Tenements – Alternative Valuation Methods:**

There is a preference for the use of more than one valuation methodology for the same tenements expressed in Paragraph 65 of Regulatory Guide 111. An alternative method to the Geo-factor Rating method might consider past expenditure on the tenements and the uplift of value provided by encouraging result indicated by the Prospectivity Enhancement Multiplier (PEM).

# PEM Range Criteria 1.3 – 1.5 Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical) 1.5 – 2.0 Scout Drilling has identified interesting intersections of mineralization 2.0 – 2.5 Detailed Drilling has defined targets with potential economic interest. 2.5 – 3.0 A resource has been defined at Inferred Resource Status, no feasibility study has been completed

Complete records of past expenditure for the Projects are not available from the previous explorers. The project has been extensively explored in the past with mapping, satellite imagery, geophysics, surface geochemistry and historical drilling forming part of the data base.

It is considered reasonable to suggest that the current value of these work elements would be as shown in the following table. This is considered speculative (but plausible) and the successful results of the work indicate that detailed drilling has defined targets with potential economic interest with the potential to contain medium sized deposits and small Inferred Resources may be estimated. This would attract Prospectivity Enhancement Multipliers as set out below.

Technical Value - Prospectivity Enhancement Method								
Project	Spend	PE	M	Tech	nical Value	e, A\$M		
		Low	High	Low	High	Preferred		
Parker Range Gold Project	0.50	1.10	1.25	0.55	0.63	0.59		
Parker Range Northern Group	0.25	1.10	1.25	0.28	0.31	0.29		
Parker Range Toomey Hills	0.25	1.10	1.25	0.28	0.31	0.29		

Group						
Parker Range Dulcie Group	0.20	1.00	1.15	0.20	0.23	0.22
Parker Range Eastern Group	0.50	1.00	1.15	0.50	0.58	0.54
Parker Range - Forrestania	0.20	1.10	1.25	0.22	0.25	0.24
Gascoyne Uranium Projects	0.20	1.10	1.25	0.22	0.25	0.24
Gascoyne Rare Earths Project	0.20	1.10	1.25	0.22	0.25	0.24
East Pilbara Projects, WA	0.20	1.10	1.25	0.22	0.25	0.24
Total				2.68	3.06	2.87

In view of the discrepancy between methods and the unsupported estimates of past expenditure the Geofactor Rating Method is considered the most reliable estimate of Technical Value.

# **Summary of Technical Value**

GONDWANA RESOURCES LIMITED Technical Value, A\$M					
Project	Low	High	Preferred		
Mineral Resources					
Spring Hill	0.43	0.88	0.55		
Buffalo	0.44	0.91	0.57		
Centenary	0.67	1.38	0.86		
Exploration Areas					
Parker Range Gold Project	0.01	0.01	0.01		
Parker Range Northern Group	-	-	-		
Parker Range Toomey Hills Group	0.02	0.02	0.02		
Parker Range Dulcie Group	0.02	0.03	0.03		
Parker Range Eastern Group	0.19	0.30	0.24		
Parker Range - Forrestania	0.03	0.05	0.04		
Gascoyne Uranium Projects	0.33	0.54	0.44		
Gascoyne Rare Earths Project	0.19	0.30	0.24		
East Pilbara Projects, WA	0.19	0.31	0.25		
Total	2.52	4.73	3.25		

Differences between the values for Technical and Market Value stated above and the detail of the report are due to rounding of the values in this table.

### **MARKET VALUE**

In arriving at a fair market value for a particular exploration tenement, We have considered the current market for exploration properties in Australia and overseas. It is considered appropriate to apply a significant discount to the technical value of the exploration potential of the tenements.

We have considered the Country risk and current market for exploration properties in Australia. Assessment of country risk and an assessment of the Business Climate have been provided by a specialist firm (source: www.coface.com). The rating for Australia is 'A1' for country risk and 'A1' for

business climate, which are considered to be low. This rating will affect the market factor in assessing market value.

The current market value for mineral exploration projects in Australia is considered to be depressed and a market discount factor of **10**% has been applied to the technical value for the Parker Range Gold project and adjacent tenements. A **20**% discount has been applied to the other Western Australian exploration projects.

The Company holds 70% equity in the Spring Hill and Buffalo Deposits and this has been applied at this stage. Equity in the exploration areas is taken into account in the base value estimate.

Market Value = [Technical Value]\*[Adjusted Market Factor]

GONDWANA RESOURCES LIMITED				Market \	/alue, A\$M
Project	Equity	Market Factor	Low	High	Preferred
Mineral Resources					
Spring Hill	70%	90%	0.27	0.55	0.35
Buffalo	70%	90%	0.28	0.57	0.36
Centenary	100%	90%	0.60	1.24	0.78
Exploration Areas					
Parker Range Gold Project		90%	0.01	0.01	0.01
Parker Range Northern Group		90%	-	-	-
Parker Range Toomey Hills Group		90%	0.02	0.02	0.02
Parker Range Dulcie Group		80%	0.02	0.02	0.02
Parker Range Eastern Group		80%	0.15	0.24	0.19
Parker Range - Forrestania		80%	0.02	0.04	0.03
Gascoyne Uranium Projects		80%	0.26	0.43	0.35
Gascoyne Rare Earths Project		80%	0.15	0.24	0.19
East Pilbara Projects, WA		80%	0.15	0.25	0.20
Total			1.93	3.62	2.50

Differences between the values for Technical and Market Value stated above and the detail of the report are due to rounding of the values in this table.

The Company's equity in the projects as stated in the notes to the tenement schedule is taken into account in the Base Value estimated above.

# Valuation opinion

Based on an assessment of the factors involved, the estimate the market value of the Company's Projects is in the range of A\$1.9 million to A\$3.6 million with a preferred value of A\$2.5 million.

This valuation is effective on 8 September 2014.



# MINERAL ASSETS VALUATION FOR EXPLORATION TENEMENTS

M. Castle - Updated 1 September 2014

Agricola Mining Consultants Pty Ltd ("Agricola") has prepared these notes as bachground to the Independent Valuation Report:

# **Table of Contents**

MINERAL ASSETS VALUATION FOR EXPLORATION TENEMENTS	23
The Meaning of Value – Scope of the Report	24
Judicial interpretation	24
Regulatory Authorities	26
The VALMIN Code, 2005	26
Regulatory Guides RG111 and RG112, March 2011	28
The JORC Code, 2012	28
VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS	29
Fair Market Value of Mineral Assets	29
Contemporaneous transactions in the asset	32
DCF value	32
Contemporaneous transactions in comparable assets	32
Potential for Further Discoveries	32
Past Expenditure	33
Share market trading in companies holding comparable exploration interests	33
Valuation of Resources by Comparable Transactions	34
Mergers and Acquisitions Activity	35
Geoscience Factor Method	36
Area	36

V.	ALUATION REFERENCES	45
GL	OSSARY OF TERMS	41
	Adjustments to the Technical Value — Market Value	41
	Prospectivity Enhancement Multiplier ("PEM")	39
	Geoscience Factors	38
	Equity	
	Tenement Status	38
	Basic Acquisition Cost	36

# The Meaning of Value - Scope of the Report

A Mineral asset valuation should endeavour to ascertain the price that a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

The test for determining the market value is based on the consideration of a hypothetical negotiation, namely, what is the price that a willing but not anxious purchaser would have to offer to induce a willing but not anxious vendor to sell the property rather than the price which an anxious vendor would obtain upon a forced sale. This is the price that a hypothetical prudent purchaser would entertain, if he desired to purchase it for the most advantageous purpose for which the property was adapted.

This test contemplates a prudent purchaser who has informed himself or herself of all of the relevant attributes and advantages that the property enjoyed which means not just being conversant with the property in its existing state but also any profitable uses to which it might be put. This embodies the concept of the highest and best use of the property.

# **Judicial interpretation**

The High Court cast light on the ordinary meaning of 'market value' in 1907 in Spencer v. The Commonwealth of Australia. In this case, the Commonwealth had compulsorily acquired land for a fort at North Fremantle in Western Australia.

In discussing the concept of market value, Griffith CJ commented (page 432) that:

... the test of value of land is to be determined, not by inquiring what price a man desiring to sell could have obtained for it on a given day, i.e. whether there was, in fact, on that day a willing buyer, but by inquiring: What would a man desiring to buy the land have had to pay for it on that day to a vendor willing to sell it for a fair price but not desirous to sell?

Isaacs J subsequently expanded on the concept (page 441):

... to arrive at the value of the land at that date, we have ... to suppose it sold then, not by means of a forced sale, but by voluntary bargaining between the plaintiff and a purchaser willing to trade, but neither of them so anxious to do so that he would overlook any ordinary business consideration. We must further suppose both to be perfectly acquainted with the land and cognisant of all circumstances which might affect its value, either advantageously or prejudicially, including its situation, character, quality, proximity to conveniences or inconveniences, its surrounding features, the then present demand for land, and the likelihood as then appearing to persons best capable of forming an opinion, of a rise or fall for what reasons so ever in the amount which one would otherwise be willing to fix as to the value of the property.

In this case, the High Court recognised the principles of:

- the willing but not anxious vendor and purchaser
- a hypothetical market
- the parties being fully informed of the advantages and disadvantages associated with the asset being valued (in the specific case, land)
- both parties being aware of current market conditions.

This is commonly known as the Spencer test after the High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value or property. (Spencer v Commonwealth (1907) 5 CLR 418 at 432 per Griffiths CJ and 441 per Isaacs J.).

Although the *Spencer test* is based on both a hypothetical vendor and a hypothetical purchaser and therefore the market value from either hypothetical party's point of view should be the same, in some cases emphasis has been placed on what would be the best price which the vendor could hope to obtain.

The question as of "special value" of particular property has often been raised in cases. However in reality this is only part of the *Spencer* test that in attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is to be assumed that the property will be put to its "highest and best use".

Applying the *Spencer test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during 'boom' conditions or a depressed market during 'bust' conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with market conditions.

The *Spencer test* has been applied in stamp duty cases in determining the value of the dutiable property.

# These principles apply equally to mineral assets

# **Regulatory Authorities**

Mineral asset valuations are prepared in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code", 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (*Regulatory Guides RG111, 2011 and RG112, 2011*).

Where mineral resources have been referred to in this report, the classifications are consistent with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2012.

#### The VALMIN Code, 2005

#### The main requirements of the *VALMIN Code* are

*Transparency* The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer. Transparency and Transparent means that the Material data and information used in (or excluded from) the Valuation of a Mineral Property, the assumptions, the Valuation approaches and methods, and the Valuation itself must be set out clearly in the Valuation Report, along with the rationale for the choices and conclusions of the Qualified Valuer.

Materiality This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report. Materiality and Material refer to data or information which contribute to the determination of the Mineral Property value, such that the inclusion or omission of such data or information might result in the reader of a Valuation Report coming to a substantially different conclusion as to the value of the Mineral Property. Material data and information are those, which would reasonably be required to make an informed assessment of the value of the subject Mineral Property.

*Competence* The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years' experience in that commodity. *For Example*:

#### **Competent Persons Statement**

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle who is a member of the

Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Independence. The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the valuer must not receive any special benefit from doing the study. This subject is addressed fully in RG112 (112.42). Independence or Independent means that, other than professional fees and disbursements received or to be received in connection with the Valuation concerned, the Qualified Valuer or Qualified Person (as the case requires) has no pecuniary or beneficial (present or contingent) interest in any of the Mineral Properties being valued, nor has any association with the Commissioning Entity or any holder(s) of any rights in Mineral Properties which are the subject of the Valuation, which is likely to create an apprehension of bias. The concepts of "Independence" and "Independent" are questions of fact. For example, where a Qualified Valuer's fees depend in whole or in part on an understanding or arrangement that an incentive will be paid based on a certain value being obtained, such Qualified Valuer is not Independent.

Reasonableness, in reference to the Valuation of a Mineral Property, while not specifically mentioned in VALMIN, 2005, is a requirement in other jurisdictions. It means that other appropriately qualified and experienced valuers with access to the same information would value the property at approximately the same range. A Reasonableness test serves to identify Valuations, which may be out of step with industry standards and industry norms. It is not sufficient for a Qualified Valuer to determine that he or she personally believes the value determined is appropriate without satisfying an objective standard of proof

Methodology The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets under consideration. Selection of the appropriate valuation method will depend on, inter alia:

- (a) the purpose of the Valuation;
- (b) the development status of the Mineral or Petroleum Assets;
- (c) the amount and reliability of relevant information;
- (d) the risks involved in the venture; and
- (e) the relevant market conditions for commodities.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral Assets under consideration in the Report, stating the reasons why the particular valuation methods have been selected in relation to those factors and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation methods used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reasons for selecting the Value adopted.

# Regulatory Guides RG111 and RG112, March 2011

It is not the Australian Securities and Investment Commission – ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

- (a) the discounted cash flow method;
- (b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the values derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

- (a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
- (b) the current market value differs materially from that derived by the chosen method.

# The JORC Code, 2012

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves.

The JORC Code provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

The JORC Code was first published in 1989, with the most recent revision being published late in 2012. Since 1989 and 1992 respectively, it has been incorporated in the Listing Rules of the Australian and New Zealand Stock Exchanges, making compliance mandatory for listing public companies in Australia and New Zealand.

The current edition of the JORC Code was published in 2012 and after a transition period the 2012 Edition came into mandatory operation from 1 December 2013.

# Changes to the JORC Code, 2012

- Table 1 reporting on an 'if not, why not?' basis Clauses 2, 5, 19, 27, 35 and the introduction of Table 1.
- Competent Person Attributions Clause 9
- Exploration Targets Clause 17
- Pre-Feasibility required for Ore Reserves Clause 29
- Technical Studies definitions Clause 37-40
- Annual Reporting Clause 15
- Metal Equivalents Clause 50
- *In situ* values Clause 51
- Additional guidance on reporting in Table 1

#### **VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS**

#### **Fair Market Value of Mineral Assets**

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

	Mineral assets classification
Exploration areas	Mineralisation may or may not have been identified, but where a mineral resource has not been defined. Available information includes exploration results such as outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results.  Valuation Methods: Geoscience Factor, Prospectivity Enhancement Multiplier.
Advanced exploration areas	Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment. Available information includes estimates of Exploration Targets, Inferred Resources, Indicated Resources, Measured Resources in accordance with the JORC Code 2012 and the exploration results from the surrounding area or prospect used to compile the estimates.

Additional value for exploration potential in the immediate area is not considered to be warranted. Valuation Methods: Comparable Transactions. Pre-development A positive development decision has not yet been made. This projects includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles. Available information includes Mineral Resource estimates in accordance with the IORC Code and a scoping study. If a recent and valid Pre Feasibility Study has been prepared an Ore Reserve may have been estimated with due regard to modifying factors. Valuation Methods: Comparable Transactions, Discounted Cash Flow (if Ore Reserves have been estimated) Development projects Committed to production, but which, are not yet commissioned or not initially operating at design levels. Available information includes a Feasibility Study with supporting technical studies. Valuation Methods: Discounted Cash Flow. Mineral properties, particularly mines and processing plants, **Operating Mines** which have been fully commissioned and are in production. Valuation Methods: Discounted Cash Flow.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value (or stand alone value) which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently.

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or possibly lower. Alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred

value need not be the median value, and will be determined by the Independent Valuer based on his experience.

The Independent Valuer, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralisation
- level of knowledge of the geometry of mineralisation in the district
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralisation identified on adjacent properties
- appropriate geological models
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralisation

•

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a "market factor" unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified Ore Reserves it is appropriate to use financial analysis methods to estimate the net present value ("NPV") of the properties. This technique (the DCF Method) has deficiencies, which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified Ore Reserves it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier ("PEM") is heavily based on the expenditure; while the Geoscience Factor is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Geoscience Factor assessment is high and the PEM is low it indicates effective well focused exploration, if the Geoscience Factor is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices

paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

Methodologies commonly used for the valuation of early stage or exploration assets in order of the evidentiary value provided by each include:

# **Contemporaneous transactions in the asset**

Where a transaction has taken place around the valuation date in the mineral asset in question, this provides the best evidence of value. This may occur when a body of mineralisation or confined geological domain is split by a tenement boundary and one part is sold.

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today's market. Complicating matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company's interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

#### **DCF** value

Where a financial model has been prepared which considers the exploration results to date, the costs involved in taking the project to production and the probability-weighted returns expected from the project, in the absence of a contemporaneous transaction in the actual exploration interest, this provides the best evidence as to the value of the exploration interest. This method requires that a reasonable estimate can be made of expected cash flows. In accordance with the JORC Code 2012, the estimation of an Ore Reserve must be based on a Pre Feasibility Study or a Feasibility Study. The DCF Method, therefore, is only possible then these studies are available and an Ore Reserve has been estimated.

#### **Contemporaneous transactions in comparable assets**

Where a transaction has taken place recently in an Asset of similar prospectivity in a similar or comparable mineral market, this provides evidence of value in the absence of an actual transaction or a financial model for the exploration interest. The comparison is typically made on the basis of a value per unit of contained resource. *(Comparable Transactions Method - see below)* 

#### **Potential for Further Discoveries**

The Geoscience Factor method provides the most appropriate approach to utilise in the technical valuation of the *exploration potential* of mineral properties on which there are no

defined resources. Kilburn, a Canadian mining engineer was concerned about the haphazard way in which exploration tenements were valued. He proposed an approach that essentially requires the valuer to justify the key aspects of the valuation process in a systematic and defendable manner. The valuer must specify the key aspects of the valuation process and must specify and rank aspects that enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost ("BAC"), which is the average cost incurred to acquire a base unit area of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC and its use with respect to different tenement types.

The Geoscience Factor method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied serially to the BAC of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. *(Geoscientific Factor Method – see below)* 

#### **Past Expenditure**

Where the other methods cannot be used, a valuer could also consider *previous exploration expenditure*, and apply a multiple to this based on its effectiveness and the valuer's judgment as to the prospectivity of the project based on the results as at the valuation date. The application of this method is very subjective, and is best used for very early stage exploration interests without resources or significant drilling results. *(Prospectivity Enhancement Method – see below)* 

### Share market trading in companies holding comparable exploration interests

Where information on the exploration tenements is not directly observable, valuers sometimes consider the recent share market trading in companies holding comparable exploration interests. This method may require the valuer to apportion the value of the company between its various assets, to determine the proportion of the enterprise value of the company that should be attributed to the comparable exploration interest. Once the valuer has estimated the proportion of the market capitalization or enterprise value of the company that should be attributed to the comparable exploration interest, the value per unit of contained resource or the value per km² of tenement approaches can be applied. This typically provides weak evidence of the value of specific exploration interests due to the difficulty in apportioning the enterprise value of a listed company to specific exploration interests, and the likelihood that the share price may include other 'noise' unrelated to the exploration interest.

Market Capitalisation (MCap) and Enterprise Value (EV: Mcap + Debt – Cash) are often used in comparable transaction valuations, often quoted as EV per unit of Resource or reserve. These measures say <u>nothing</u> about the technical value of individual mineral assets and are usually influenced by many commercial and emotional factors both within and external to the Company.

It is fair to assume that a company's share price is a reflection of the market value of the company and this is strongly influenced by the market value of mineral assets in the light of current market conditions. If a 'willing but not anxious buyer' were to make an offer for the company based on share price, appropriate due diligence has been completed and the offer may also include a premium for control.

MCap per unit and EV per unit for peer group companies may be a satisfactory measure of 'reasonableness' of the market value of the bundle of assets and should be viewed in that light and not as a direct measure of technical value.

# **Valuation of Resources by Comparable Transactions**

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a **Comparable Transactions** approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different Mineral Resource categories and operational factors to differentiate between deposits.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	50%

With metal projects the Comparable Transactions method requires allocating a dollar value to resource tonnes or ounces in the ground. The dollar value must take into account a number of aspects of the resources including:

- The confidence in the resource estimation (the IORC Category)
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of infrastructure, development and capital expenditure aspects

This approach can be taken with metals or bulk commodities sold on the spot market and where current price can be estimated with appropriate adjustments for impurities if required. Value is estimated as a percentage of contained value once appropriate discounts for uncertainty relating to resource categorisation are taken into account. An example of appropriate discounts is included below but these must be considered on a case-by-case basis.

Operations Factors	Base Metals	Iron Ore	Coal	Gold	Rare Earths
Recovery	75%	75%	70%	95%	60%
Mining	75%	90%	75%	90%	100%
Processing	80%	70%	70%	95%	50%
Rail	80%	90%	70%	95%	75%
Port	80%	90%	50%	100%	90%
Capex	80%	70%	75%	90%	50%
Marketing	75%	80%	75%	100%	75%
Total Operating Discount	17%	21%	7%	69%	7%

# **Mergers and Acquisitions Activity**

A recent review of Mergers and Acquisitions over the last eight years covering the mining boom, the GFC and the recovery phase of the Mining Market indicates the price paid for gold assets.

Merger and Acquisitions Activity (CAD)									
	2006	2007	2008	2009	2010	2011	2012	2013	
Gold Price	\$709	\$778	\$920	\$1,154	\$1,277	\$1,590	\$1,665	\$1,488	
Producing Assets*	\$74	\$94	\$115	\$89	\$207	\$202	\$200	\$121	
Percent of Price	10.40%	12.10%	12.50%	7.70%	16.20%	12.70%	12.00%	8.10%	
Exploration Assets*	\$54	\$28	\$31	\$29	\$71	\$90	\$47	\$23	
Percent of Price	7.60%	3.60%	3.40%	2.50%	5.60%	5.70%	2.80%	1.50%	

<sup>\*</sup>Estimated price paid per ounce of gold in the ground, updated December 31, 2013  $\,$ 

Source: http://www.ibkcapital.com/capital-market-highlights/merger-acquisition-activity/

The information is based on Canadian experience and closely replicates values reported in Australia and similar metal markets elsewhere. The 'Apparent Acquisition Cost' ("AAC") for gold projects lies in the range of 1.5% to 7.6% of the gold price at the time. The data set does not differentiate between resource categories or variations in deposits type and individual assessment. It is implicit that this has been taken into account with risk related discounts. Information on sales internationally has shown a pattern for AAC. For the purpose of valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles of the spread of values.

AAC Percentiles 2006 - 2013								
Percentile	10%	25%	50%	75%	90%			
AAC	2.2%	2.7%	3.5%	5.6%	6.2%			

#### **Geoscience Factor Method**

The Geoscience Factor method attempts to convert a series of scientific opinions about a subject property into a numeric evaluation system. The success of this method relies on the selection of multiplying factors that reflect the tenement's prospectivity.

The Geoscience Factor method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor (grade) of any mineralisation known to exist on the property being valued;
- geophysical and/or geochemical targets and the number and relative position of anomalies on the property being valued;
- geological patterns and models appropriate to the property being valued.

It is recognised that application of this method can be highly subjective, and that it relies almost exclusively on the geoscience ratings adopted by the valuer. As such, it is good practice for valuers using this method to provide sufficient discussion supporting their selection of the various multiplying factors to allow another suitably qualified geoscientist to assess the appropriateness of the factors selected.

#### **Area**

The area of a tenement is usually stated in terms of square kilometres as a matter of convenience and cosistency. A graticular boundary (or block) system was introduced for exploration licences in mid 1991 in W.A. and a block is defined as one minute of latitude by one minute of longitude. The square kilometres contained within a block varies from place to place. For instance, at Kunnanurra (Latitude 15 deg. S) one block equals 3.31 square kilometres, at Mt Isa (Latitude 20 deg. S) one block equals 3.22 square kilometres. at Carnarvon or Bundaberg (Latitude 25 deg. S) one block equals 3.11 square kilometres and at Albany or Adelaide (Latitude 35 deg. S) one block equals 2.81 square kilometres.

Prospecting Licences and Mining Leases are granted in Hectares (100 hectares equals one square kilometre.

# **Basic Acquisition Cost**

The Basic Acquisition Cost ("BAC") is the important input to the Geoscience Factor Method and it is estimated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees for a first stage exploration tenement such as an Exploration Licence(the first year holding cost).

The current holding cost for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example,

attract a minimum annual expenditure for the first three years of \$300 per square kilometre per year with a minimum of \$20,000 and annual rent of \$46.80. A 15% administration fee is taken into account to imply a holding cost of \$400 per square kilometre. A similar approach based on expenditure commitments could be taken for Prospecting Licences and Mining Leases (effective 1 July 2014).

Licence Type	Expend.	Rent	Admin	Total
Exploration Licence (E, \$/km²)	300.00	46.80	52.02	399.82
Prospecting Licences (P, \$/Ha)	40.00	2.35	6.35	48.75
Mining Lease (M, \$/Ha)	100.00	16.10	17.42	133.52

In Western Australia (from February 2006), an application for a Mining Lease required either a mining proposal OR a statement describing when mining is likely to commence; the most likely method of mining; and the location, and the area, of land that is likely to be required for the operation of plant, machinery and equipment and for other activities associated with those mining operations. A mineralisation report is also required that has been prepared by a qualified person.

The mineralisation report must be completed by a qualified person and shall contain information of sufficient standard and detail to substantiate, to the satisfaction of the Director Geological Survey, that significant mineralisation exists within the ground applied for. A 'qualified person' means a person who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG). Significant mineralisation means a deposit of minerals located during exploration activities and that there is a reasonable expectation that those minerals will be extracted by mining operations.

The implication of the mineralisation report suggests that Mining leases should be valued on the body of significant mineralisation (usually a Mineral Resource estimated in accordance with the JORC Code) and not on the basis of prospectivity. The preferred method for valuing resources is by comparable transactions (Market Based).

The Mineral Resources are assumed to encapsulate all the value for the tenements on which they occur and the exploration results considered for the estimate. A separate value for exploration potential for this tenement is not considered warranted.

It is recognised that further exploration potential may exist within the tenement boundaries but when a mineral resource has already been estimated in accordance with the JORC Code a hypothetical willing but not too anxious purchaser would be unlikely to consider additional value for surrounding untested ground.

Mining Leases granted prior to 2006 and Prospecting Licences may not have a mineralisation report available and may cover old workings or simply an expedient or strategic method of securing ground at the expiry of an Exploration Licence rather than based on exploration success. While these Licences carry all the obligations set out in the Mining Act, from a valuation point of view they are equivalent to Exploration Licences and it is unreasonable to value such these MLs (or PLs) starting at a relatively high holding cost compared to that of an EL where

only exploration results are available. These tenements should be considered on the basis of a **BAC of \$400 to \$450**. To value these areas at the higher levels may not be considered to be reasonable under the VALMIN Code.

#### **Tenement Status**

Uncertainty may exist where a tenement is in the application stage. Competing applications may be present where a ballot is required to determine the successful applicant or Native Title issues and negotiations may add to the risk of timely grant. Other issues may also be present such as state parks or forestry and wildlife reserves, competing land use and compensation agreements. There is an inherent risk that the tenement may not be granted and this needs to be recognised in the base value assessment. A 'grant factor' of zero may be applied where there is no realistic chance of approval (e.g. sacred sites) and where no significant impediments are known the factor may increase to about 60% to reflect delays and compliance with regulations.

#### **Equity**

The equity a Company may hold in a tenement through joint venture arrangements or royalty commitments may be addressed in assessing base Value but it is often considered at the end of a valuations report.

#### **Geoscience Factors**

The multipliers or ratings and the criteria for rating selection across these four factors are summarised in the following table.

#### **GEO-FACTOR RATING CRITERIA - GUIDELINES**

	Rating	Address - Off Property	Mineralisation - On Property	Anomalies	Geology
Low	0.5	Very little chance of mineralisation, Concept unsuitable to environment	Very little chance of mineralisation, Concept unsuitable to environment	Extensive previous exploration with poor results - no	Unfavourable lithology over >75% of the
	0.75	to environment	to environment	encouragement	tenement Unfavourable lithology over >50% of the tenement
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered favourable geology (40- 50%)
	1.5	RAB Drilling with some scattered results	Exploratory sampling with encouragement, Concept validated	Several early stage targets outlined from geochemistry and geophysics	Shallow alluvium Covered favourable geology (50- 60%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60- 70%)
	2.5	Grid drilling with encouraging results on adjacent sections	Diamond Drilling after RC with encouragement	Several well defined surface targets with encouraging	Strongly favourable lithology (70- 80%)

				drilling results	
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (80 - 100%)
	3.5	Along strike or adjacent to known mineralisation at Pre-Feasibility Stage	Resource areas identified	Subeconomic targets of possible significant volume - early stage drilling	
	4	Along strike or adjacent to Resources at Definitive Feasibility Stage	Along strike or adjacent to known mineralisation at Pre-Feasibility Stage	Marginal economic targets of significant volume - advanced drilling	
	4.5	Along strike or adjacent to Development Stage Project	Along strike or adjacent to Resources at Definitive Feasibility Stage	Marginal economic targets of significant volume - well drilled at Inferred Resource stage	
Very High	5	Along strike or adjacent to Operating Mine	Along strike or adjacent to Development Stage Project	Several significant ore grade correlatable intersections with estimated resources	

drilling regulte

The selection of factors from the table must be tempered with an eye to the reasonableness of the outcome and an awareness of the inherent exploration risks in achieving progress to the next level. Some exploration licences are overly large and may cover several domains of prospective (or entirely unprospective) ground and this should be recognised in the Geology Factor. A conservative approach is considered mandatory.

Estimate of project value is carried out on a tenement-by-tenement basis and uses four calculations as shown below. The value estimate is shown as a range with a preferred value.

Base Value = [Area]\*[Grant Factor]\*[Equity]\*[Base Acquisition Cost]

Prospectivity Index = [Off Site Factor]\*[On Site Factor]\*[Anomaly Factor]\*[Geology Factor]

Technical Value = [Base Value]\*[Prospectivity Index]

Market Value = [Technical Value]\*[Market Premium/Discount Factor]

# Prospectivity Enhancement Multiplier ("PEM")

Various valuation methods exist which make reference to historical exploration expenditure. One such method is based on a 'multiple of historical exploration expenditure'. Successful application of this method relies on the valuer assessing the extent to which past exploration expenditure is likely to lead to a target resource being discovered, as well as working out the appropriate multiple to apply to such expenditure.

Another such method is the 'appraised value method'. When adopting this approach, the valuer should only account for meaningful past exploration expenditure plus warranted future expenditures. Warranted future expenditures reflect a reasonable and justifiable exploration budget to test the identified potential of the target.

When historical expenditure approaches are adopted, it is good practice for valuers to provide full transparency in relation to all historical exploration expenditure on the subject property, details of those expenditures selected for use in the method (including details in relation to warranted future expenditures), and justification for any multiples applied.

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results, a PEM can be derived which takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database.

#### PEM Factors Used in this valuation method

PEM	Criteria
Range	
0.2 - 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 - 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 - 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 - 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 - 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to 60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM Factors are defined in the table.

# Adjustments to the Technical Value - Market Value

Mineral Assets are often bought and sold at a price that is different than their technical value or stand-alone value. To the extent that it exists, the amount of the transacted value differs from the technical value is often described as the 'acquisition premium or discount'.

The concept of market value implies the construction of a hypothetical transaction between willing, knowledgeable, but not anxious buyers and sellers. Therefore, when assessing the market value of resource projects, it is likely that valuers will consider whether it is appropriate to make an adjustment to the technical value of the project to reflect any observed 'acquisition premium or discount', or other adjustments. Such adjustments can either be implicit or explicit in the valuation method chosen. However, care should be taken not to treat as acquisition premium or discount something that is properly part of technical value, such as where assumed forward values for commodity prices are reflected in the technical value.

Particularly when valuing early stage exploration and development projects the technical value may be assessed for a project with reference to parameters that may be above or below those present in the financial markets as at the valuation date. Consequently, when applying these exploration valuation methods, it may be appropriate to reflect a series of high level adjustments to the technical value to account for differences in market conditions relative to those embedded within the method itself.

However, other valuation methods (particularly the DCF valuation method) are able to explicitly reflect a series of parameters that may apply to future financial market expectations. This is particularly the case if valuers adopt commodity price, exchange rate, inflation rate, and discount rate parameters which are forecast with reasonable confidence, and resource to reserve conversion, cost structure and capital expenditure parameters which are consistent with the expectations in the market. Doing so will limit the need to make further adjustments to the resulting stand alone value to account for such factors as 'market considerations'.

To the extent that valuers choose to apply further adjustments to their assessed stand alone value, it is good practice to clearly identify how they have applied the adjustments are applied, and the rationale for doing so.

#### **GLOSSARY OF TERMS**

'Real Property' – A non-physical, legal concept and it includes all the rights, interests and benefits related to the ownership of 'Real Estate' and normally recorded in a formal document (eg, deed or lease). The rights are to sell, lease, enter, bequeath, gift, etc. There may be absolute single or partial ownership (subject to limitations imposed by Government, like taxation, planning powers, appropriation, etc). These rights may be affected by restrictive covenants or easements affecting title; or by security or financial interests, say conveyed by mortgages.

'Real Estate' – A physical concept, including land and all things that are a natural part of the land (eg, trees and Minerals). In addition it includes all things effectively permanently attached by people (eg, buildings, site improvements, and permanent physical attachments, like cooling systems and lifts) on, above or below the ground.

**Personal Property** – Covers all items other than 'Real Estate' and may be tangible (like a chattel or goods) or intangible (like a patent or debt). It has a moveable character.

'Mineral(s)' – Any naturally occurring material found in or on the Earth's crust, that is useful to and/or has a value placed on it by mankind. The term specifically includes coal, shale and materials used in building and construction, but excludes crude oil and natural gas (VALMIN Code).

- 'Minerals Industry' (also Extractive Industry) Defined as encompassing those engaged in exploring for, extracting, processing and marketing 'Minerals'.
- 'Mineral Asset(s)' (Resource Assets or Mineral Properties) All property including, but not limited to 'Real Property', intellectual property, mining and exploration tenements held or acquired in connection with the exploration, the development of and the production from those tenements; together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with those tenements. Most can be classified as 'Exploration Areas', 'Advanced Exploration Areas', 'Pre-Development Projects', 'Development Projects' or 'Operating Mines' (VALMIN Code).
- 'Operating Mines' Mineral Properties, particularly mines and processing plants, which have been fully commissioned and are in production (VALMIN Code).
- 'Development Projects' Mineral Properties which have been committed to production, but which are not yet commissioned or not operating at design levels (VALMIN Code).
- 'Advanced Exploration Areas' and 'Pre-development Projects' Mineral Properties where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a positive development decision has not been made. Mineral Properties at the early assessment stage, those for which a development decision has been negative, those on care and maintenance and those held on retention titles are all included in this category if Mineral Resources have been identified. This is even if no further valuation or technical assessment work, delineation or advanced exploration is being undertaken (VALMIN Code).
- **Exploration Areas'** Mineral Properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been identified (VALMIN Code).
- 'Price' The amount paid for a good or service and it is a historical fact. It has no real relationship with 'Value', because of the financial motives, capabilities or special interests of the purchaser; and the state of the market at the time.
- **'Value'** (also Valuation which is the result of determining 'Value') The estimated likely future 'Price' of a good or service at a specific time, but it depends upon the particular qualified type of value (eg 'Market Value', 'Salvage Value', 'Scrap Value', 'Special Value', etc). There is also a particular value for tax and rating, or insurance purposes.
- 'Fair Market Value' (Market Value or Value) The object and result of the Valuation. It is the estimated amount of money (or the cash equivalent of some other consideration) for which the 'Mineral Asset' should change hands on the 'Valuation Date'. It must be between a willing buyer and a willing seller in an 'arm's length' transaction in which each party has acted knowledgeably, prudently and without compulsion. It is usually comprised of two components, the underlying or 'Technical Value' and a premium or discount, relating to market, strategic or other considerations (VALMIN Code,).
- 'Market Value' (IVS Definition) The result of an objective Valuation of specific identified ownership rights to a specific asset as at a given date. It is the value in exchange not 'Value-in-Use' set by the market place. It is the "estimated amount for which a property should exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently, and without compulsion".
- **'Fair Value'** (IVS definition) An accountancy term used for values envisaged to be derived under <u>any and all conditions</u>, not just those prevailing in an open market for the normal orderly disposal of assets. Being a transaction price it reflects both existing and alternative uses, too. It is also a legal term for values involved in dispute settlements which may not also meet the strict **'Market Value'** definition. Commonly, it reflects the service potential of an asset ie, value derived by DCF/NPV analysis, not merely the result of comparable sales analysis. It is still the "amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction".
- **'Technical Value'** An assessment of a **'Mineral Asset's'** future net economic benefit at the **'Valuation Date'** under a set of assumptions deemed most appropriate by the **'Valuer'**, excluding any premium or discount to account for market, strategic or other considerations (*VALMIN Code*<sub>s</sub>).
- **'Highest-and-Best-Use'** for physical property, it is the reasonably probable and legal use of property, which is physically possible, appropriately supported and financially feasible, that results in the <a href="highest value">highest value</a>. In the case of personal property, it is the same with the additional qualification that the highest value must be in the appropriate market place, consistent with the purpose of the appraisal. It may be, in volatile markets, the holding for a future use.
- 'Value-in-Use' in contrast to 'Highest-and-Best-Use', it is the specific value of a specific tangible asset that has a specific use to a specific user. It is not market-related. The focus is on the value that a specific property contributes to the enterprise of which it is a part (being part of a 'Going Concern Valuation'). It measures the contributory value of a specified asset(s) used within that specific enterprise, although it is not the 'Market Value' for that individual asset. It is the Value-to-the-Owner/Entity/Business in accountancy terms and may be the lower of net current replacement cost and its recoverable amount. It is also the net present value of the expected future net cash flows from the continued use of that asset, plus its disposal value at the end of its useful life ('Scrap Value'). At the 'Valuation Date', there must be recognition of its existing use by a particular user. This is in contrast to the

- alternative reasonable use to which an asset might be put by unspecified owner(s).
- 'Going Concern Value' A business valuation concept rather than one relating to individual property valuation. It is the value of an operating business/enterprise (ie one that is expected to continue operating) <u>as a whole</u> and it includes goodwill, special rights, unique patents or licences, special reserves, etc. Apportionment of this total value may be made to constituent parts, but none of these components constitute a basis for 'Market Value'.
- 'Market Capitalization' The total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures. Frequently referred to as "market Cap" or MCap
- **'Enterprise Value EV' -** A measure of a company's value, often used as an alternative to straightforward market capitalization. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents. In the event of a buyout, an acquirer would have to take on the company's debt, but would pocket its cash. EV differs significantly from simple market capitalization in several ways, and many consider it to be a more accurate representation of a firm's value.
- 'Market Premium' A control premium is an amount that a buyer is usually willing to pay over the current market price of a publicly traded company in order to acquire a controlling share in that company. The reason the buyer of a controlling interest is willing to offer a premium over the price currently established by other market participants is the additional prerogatives of control, including electing the company directors, firing and hiring key employees, declaring and distributing dividends, divesting or acquiring additional business assets, and entering into merger and acquisition transactions. The opposite of control premium is the minority discount.
- 'Investment Value' (Worth) this is the value of a specific asset to a specific investor(s) for identified investment objectives or criteria. It may be higher or lower than 'Market Value' and is associated with 'Special Value'.
- 'Property-with-Trading-Potential' refers to the valuation of specialised property (eg, hotel, petrol station, restaurant, etc) that is sold on an operating or going concern basis. It recognises that assets other than land and buildings are to be included in the 'Market Value' and it is often difficult to separate the component values for land and property.
- 'Special Value' An extraordinary premium over and above the 'Market Value', related to the specific circumstances that a particular prospective owner or user of the property attributes to the asset. It may be a physical, functional or economic aspect or interest that attracts this premium. It is associated with elements of 'Going Concern Value' or 'Investment Value' since it also represents synergistic benefits. In a strict sense it could apply to very specialised or special purpose assets which are rarely sold on the open market, except as part of a business, because their utility is restricted to particular users. In some circumstances, it may be the lower value given by 'Value –in–Use'.
- **'Salvage Value'** The expected value of an asset at the end of its economic life (ie, being valued for salvage disposal purposes rather than for its originally intended purpose). Hence, it is the value of property, excluding land, as if disposed of for the materials it contains, rather than for its continued use, without special repairs or adaptation.
- 'Scrap Value' (Residual Value) The remaining value (usually a net value after disposal costs) of a wasting asset at the end of a prescribed or predictable period of time (usually the end of its effective life) that was ascertained upon acquisition.
- 'Forced Sale Value' (Liquidated Value) The amount reasonably expected to be received from the sale of an asset within a short time frame for completion that is too short to meet the 'Market Value' definition. This definition requires a reasonable marketing time, having taken into account the asset's nature, location and the state of the market). Usually it also involves an unwilling seller and buyers who have knowledge to the disadvantage of the seller.
- **'Valuation Date'** Means the reference date to which a Valuation applies. Depending on the circumstances, it could be different to the date of completion or signing of the Valuation Report or the cut-off date of the available data (VALMIN Code,).
- 'Valuer' (also Valuer [Canada] or Appraiser [USA]) Either the 'Expert' or 'Specialist' (Qualified Person in Canada) who is the natural person responsible for the Valuation to determine the 'Fair Market Value' after consideration of the technical assessment of the 'Mineral Asset' and other relevant issues. They must have demonstrable 'Competence' (and 'Independence', when required).
- **'Expert'** Means a **'Competent'** (and **'Independent'**, where relevant) natural person who prepares and has overall responsibility for the Valuation Report. He/she must have at least 10 years of relevant **'Minerals Industry'** experience, using a relevant **'Specialist'** for specific tasks in which he/she is not **'Competent'**. An **'Expert'** must be a corporate member of an appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (*VALMIN Code*).
- 'Specialist' Means a 'Competent' (and 'Independent', where relevant) natural person who is retained by the 'Expert' to provide subsidiary reports (or sections of the Valuation Report) on matters on which the 'Expert' is not personally expert. He/she must have at least 5 years of suitable and preferably recent 'Minerals Industry' experience relevant to the subject matter on which he/she contributes. A 'Specialist' must be corporate member of appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not

(VALMIN Code).

- 'Material/Materiality' with respect to the contents and conclusions of a relevant Report, it means data and information of such importance that the inclusion or omission of the data or information concerned might result in a reader of the Report reaching a different conclusion than might otherwise be the case. 'Material' data (or information) is that which would reasonably be required in order to make an informed assessment of the subject of the Report. The Australian Society of Accountants' Standard AAS5 indicates that 'Material' data (or information) is such that the omission or inclusion of it could lead to changes in total value of greater than 10% (between 5% and 10% it is discretionary). Also the Supreme Court of New South Wales has stated that something is 'Material' if it is significant in formulating a decision about whether or not to make an investment or accept an offer (VALMIN Code).
- **'Transparent/Transparency'** as applied to a valuation it means, as in the Concise Oxford Dictionary, "easily seen through, of motive, quality, etc". It applies to the factual information used, the assumptions made and the methodologies applied, all of which must be made plain in the Report (*VALMIN Code*).
- **'Competence'** it means having relevant expertise, qualifications and experience (technical or commercial), as well as, by implication, the professional reputation so as to give authority to statements made in relation to particular matters. (*VALMIN Code*).
- 'Competent Person A 'Competent Person' is a minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a 'Recognised Professional Organisation' (RPO), as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking. If the Competent Person is preparing documentation on Exploration Results, the relevant experience must be in exploration. If the Competent Person is estimating, or supervising the estimation of Mineral Resources, the relevant experience must be in the estimation, assessment and evaluation of Mineral Resources. If the Competent Person is estimating, or supervising the estimation of Ore Reserves, the relevant experience must be in the estimation, assessment, evaluation and economic extraction of Ore Reserves. (JORC 2012)
- 'Independent/Independence' Means that the person(s) making the Valuation have no 'Material' pecuniary or beneficial (present or contingent) interest in any of the 'Mineral Assets' being assessed or valued, other than professional fees and reimbursement of disbursements paid in connection with the assessment or Valuation concerned; or any association with the commissioning entity, or with the owners or promoters (or parties associated with them) likely to create an apprehension of bias. Hence, they must have no beneficial interest in the outcome of the transaction or purpose of the technical assessment/Valuation of the 'Mineral Asset' (VALMIN Code). ASIC RG112, which deals with the Independence of Expert Reports, provides more detail on this concept. (JORC 2012)
- **Exploration results'** Exploration Results include data and information generated by mineral exploration programmes that might be of use to investors but which do not form part of a declaration of Mineral Resources or Ore Reserves. The reporting of such information is common in the early stages of exploration when the quantity of data available is generally not sufficient to allow any reasonable estimates of Mineral Resources. Examples of Exploration Results include results of outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results.
- **'Exploration Target'** An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource. Any such information relating to an Exploration Target must be expressed so that it cannot be misrepresented or misconstrued as an estimate of a Mineral Resource or Ore Reserve. The terms Resource or Reserve must not be used in this context. (*JORC 2012*)
- 'Inferred Mineral Resource' An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration. (JORC 2012)
- 'Indicated Mineral Resource' An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence

than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve. (*JORC 2012*)

- 'Measured Mineral Resource' A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve. (JORC 2012)
- 'Modifying Factors' are considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. (JORC 2012)
- 'Scoping Study' A Scoping Study is an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified. A Scoping Study must not be used as the basis for estimation of Ore Reserves. (JORC 2012)
- 'Pre Feasibility Study' A Preliminary Feasibility Study (Pre-Feasibility Study) is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre- Feasibility Study is at a lower confidence level than a Feasibility Study. (JORC 2012)
- **'Feasibility Study'** A Feasibility Study is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-Feasibility Study. (*JORC 2012*)

# **VALUATION REFERENCES**

ASIC, 2011, "Regulatory Guideline 111 - Content of Expert's Reports", March 2011

ASIC, 2011, "Regulatory Guideline 112 – Independence of Experts", March 2011

AusIMM, (2012), "Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code), prepared by the Joint Ore Reserves Committee (JORC) of the AusIMM, the Australian Institute of Geoscientists (AIG) and the Minerals Council of Australia (MCA)", (The JORC Code) effective December 2013.

AusIMM. (2005), "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code)" 2005 Edition.

AusIMM, (1998), "Valmin 94 – Mineral Valuation Methodologies".

Australian Taxation Office, 2014, "MRRT Starting Base – Valuations"

Barnett, DW and Sorentino, C, 1994. Discounted cash flow methods and the capital asset pricing model, in Proceedings Mineral Valuation Methodologies 1994 (VALMIN '94) pp 17-35 (The Australasian Institute of Mining and Metallurgy: Melbourne).

Baurens, S., 2010, "Valuation of Metals and Mining Companies" Basinvest, 7 Nov 2010

CANADIAN INSTITUTE OF MINING, METALLURGY AND PETROLEUM, (2014), "CIM Standards on Mineral Resources and Reserves-Definitions and Guidelines". Prepared by the CIM Standing Committee On Reserve Definitions. Adopted by CIM Council August 20, 2000.

CIM, (2003) – "Standards and Guidelines for Valuation of Mineral Properties. Final Version, February 2003" Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum on Valuation of Mineral Properties (CIMVAL).

Edmonds, J, 2013, "Resource Capital Fund III LP v Commissioner of Taxation [2013] FCA 363, Federal Court of Australia, 26 April 2013

Goulevitch J and Eupene G S; 1994; Geoscience rating for valuation of exploration properties – applicability of the Kilburn Method in Australia and examples of its use; Proceedings of VALMIN 94; pages 175 to 189; The Australasian Institute of Mining and Metallurgy, Carlton, Australia.

Kilburn, LC, 1990, "Valuation of Mineral Properties which do not contain Exploitable Reserves" CIM Bulletin, August 1990.

Jessup, A. 2013, "Application of Stamp Duty to Mineral and Petroleum Transactions" AMPLA Limited Thirty-Seventh National Conference, Piper Alderman, October 2013

Lord, D. 2014, "How Right is your Valuation?", SRK Consulting, AusIMM June 2014

Rudenno, V., (1998), "The Mining Valuation Handbook".

Rudenno, V., (2009), "The Mining Valuation Handbook" 3rd Edition.

Rudenno, V., (2012), "The Mining Valuation Handbook" 4th Edition.

Sorentino, C, 2000, "Valuation Methodology for VALMIN", MICA, The Codes Forum

Spencer v. Commonweath 5 CLR 418, 1907

Wellmer, F., 1989, "Economic Evaluations in Exploration", Springer.