

ASX Announcement 20 March 2017

GB Energy Limited
is an exploration
company focused on
energy metals

Directors

Chairman
Mr Stuart Rechner
Executive Director
Mr Nick Burn
Director
Dr David Detata

Operations

Chief Financial Officer
Ms Anna MacKintosh
Lead Consultant
Mr James Allchurch

Issued Capital

Ordinary Shares
905,955,825
Unlisted Options
75,000,000

Share Price

10 March 2017
\$0.008

ASX Code

GBX

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Option to Acquire Kalia Holdings Pty Ltd

GB Energy Limited (ASX: GBX) is pleased to announce the signing of a binding Term Sheet with Kalia Holdings Pty Ltd (Kalia) and its shareholders that grants GBX a 120-day option to acquire 72.29% (and potentially 100%) of the shares in Kalia.

Kalia, the parent company of Papua New Guinean registered subsidiary Kalia Investments Ltd, holds contractual rights to explore for minerals and develop mines in the Tinputz district of North Bougainville, Papua New Guinea which is prospective for gold, copper and other minerals.

Bougainville is one of the last undeveloped mineralised provinces of the world. The island straddles the Pacific 'Ring of Fire' tectonic plate boundary, an ideal setting for porphyry copper-gold and associated epithermal gold mineralisation.



Figure 1: Bougainville location and tectonic setting

Bougainville remains largely unexplored with a moratorium on mining exploration and development preventing activity since 1971. In August 2015 Bougainville passed a new Mining Act and subsequent Regulations (2016) which states "All minerals existing on, in or below the surface of customary land in Bougainville are the property of the owners of the customary land."¹

¹ Bougainville Mining Act 2015, section 8

Kalia has signed a binding Deed of Agreement with Toremana Resources Ltd (Toremana) that provides for a joint venture with Kalia holding 75% and Toremana 25% free carry through to production. Toremana is an approved landowner organisation under the Bougainville Mining Act 2015 comprised of seven local clans that represent customary landowners in an area of approximately 1,800km². Kalia has invested approximately \$790,000 into the Tore project, involving extensive and ongoing awareness, reconciliation and cleansing programs with local communities.

In June 2016, Bougainville's House of Representatives passed a motion asking the Autonomous Bougainville Government (ABG) to lift the moratorium on mining.² The transaction with Kalia seeks to ensure GBX is ready to explore in Bougainville if and when exploration licences are granted.

The merger with Kalia will provide GBX with an exciting and unparalleled opportunity to explore and assess copper and gold prospects within Bougainville. In joining a public company, Kalia will be able to better deliver information to the public regarding the joint venture with Toremana. Kalia will also have access to the financial markets required for a project of this scope.

GBX and Kalia thank the customary landowners, their Chief Meris, Chiefs and Clansmen. Also the esteemed members of the ABG, Ministers, Members of Parliament and Departmental Officers for their advice and guidance.

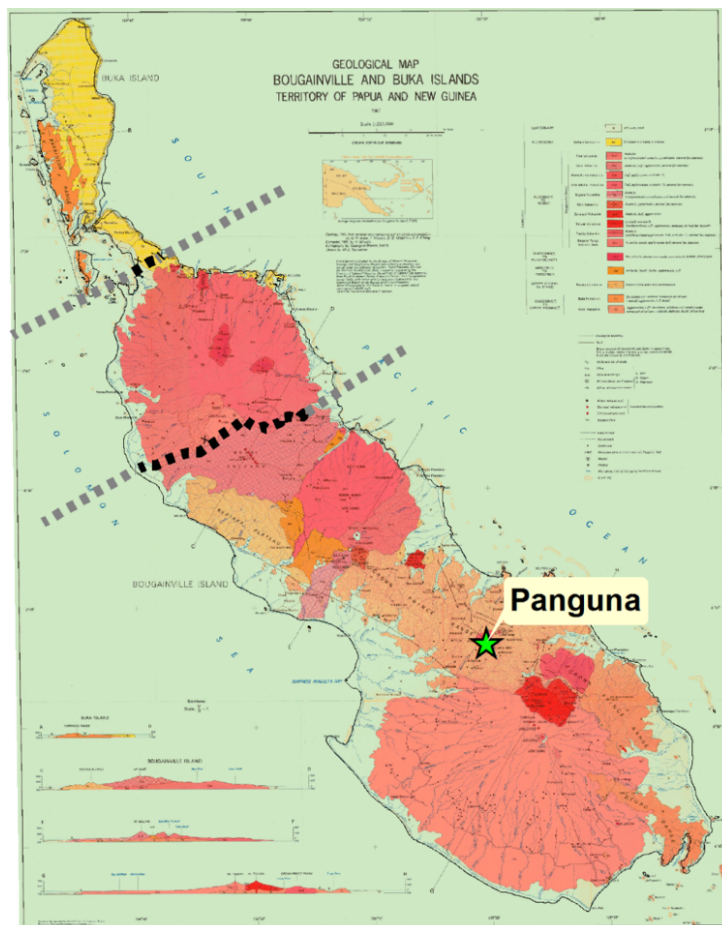


Figure 2: Geology of Bougainville showing Tore Project Area between dashed lines (after Blake & Mieztis, 1967)

²<https://bougainvillemews.com/2016/06/14/bougainville-news-president-momis-press-statement-14-june-future-of-the-moratorium-on-mining-exploration-and-development/>

Transaction Terms

GBX by a first stage of the transaction will loan Kalia \$600,000 (on an unsecured and interest free basis) in consideration for an exclusive 120-day Option to purchase 72.29% of the Kalia shares from the Kalia shareholders. Kalia agrees to spend the \$600,000 loan amount on advancing the Tore Project.

GBX has received firm commitments to raise \$700,000 via placement under section 708 of the Corporations Act at 0.4 cents per share to fund the first stage loan and for working capital.

The second stage of the transaction will occur if GBX exercises the Option. The exercise of the Option is subject to a number of conditions precedent. During the Option period GBX will conduct detailed due diligence regarding the transaction.

Prior to the exercise of the Option, GBX intends to undertake a placement under section 708 of the Corporations Act to issue sufficient shares (fully paid ordinary) to raise no less than \$1,600,000 (before costs). If this further capital raising is made at an issue price of 0.8 cents per share or higher, GBX will issue 250,000,000 adviser options on terms set out in Annexure A.

Attached to this announcement is Annexure A detailing the effect of the proposed transaction on GBX's capital structure. This includes detail as to the number and type of GBX securities to be issued in the event of acquiring either 72.29% of Kalia or 100% of Kalia. On completion of the transaction, the board of GBX will appoint two nominees of Kalia as additional directors.

Regulatory Approvals and General Meeting

Completion of the transaction is subject to conditions precedent including GBX obtaining all required regulatory and shareholder approvals to effect the transaction. ASX has informed GBX that due to the scale of the transaction shareholder approval will be required for the purposes of ASX listing rule 11.1.2 (and will not constitute a "backdoor" listing).

GBX proposes to convene a General Meeting of Shareholders to obtain necessary shareholder approvals including to the transaction, the issue of shares and performance shares and the issue of various capital raising shares and options. The current Directors have informed GBX that they intend to vote in favour of the proposals.

If Option is not exercised

In the event that GBX does not exercise the Option, Kalia is obliged to repay the loan in full.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information reviewed by Mr Nick Burn who is an employee of the Company and is a director of the Company. Mr Burn is a member of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation, the types of deposits under consideration and the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results. Mr Burn consents to the inclusion of the information in the form and context in which it appears.

Annexure A – GBX Proposed Capital Structure

The effect of the Proposed Transaction on GBX's capital structure is set out below:

Assuming GBX acquires 100% of Kalia

	Shares	Performance Shares	Options
Current	905,955,825	-	75,000,000
Initial Placement	175,000,000	-	-
Acquisition (Vendor securities)	1,000,000,000	750,000,000 ⁽³⁾	-
Further Capital Raising	200,000,000 ⁽¹⁾	-	250,000,000 ⁽²⁾
Total (on completion of the Acquisition)	2,280,955,825	750,000,000	325,000,000
Total (on a fully diluted basis)	3,355,955,825		

Assuming GBX acquires 72.29% of Kalia

	Shares	Performance Shares	Options
Current	905,955,825	-	75,000,000
Initial Placement	175,000,000	-	-
Acquisition (Vendor securities)	722,891,566	750,000,000 ⁽³⁾	-
Further Capital Raising	200,000,000 ⁽¹⁾	-	250,000,000 ⁽²⁾
Total (on completion of the Acquisition)	2,003,847,391	750,000,000	325,000,000
Total (on a fully diluted basis)	3,078,847,391		

- (1) Assumes that the Further Capital Raising raises \$1,600,000 and is conducted at an issue price of 0.8 cents per Share.
- (2) As noted above, these options will only be granted if the Further Capital Raising is conducted at an issue price of 0.8 cents per Share or higher. The options will have an exercise price of 0.3 cents and an expiry date of 30 June 2019.

- (3) The performance shares to be issued will be in the following quantities and classes and are subject to advice from ASX as to the performance hurdles being appropriate and equitable in terms of listing rule 6.1:
- (a) 250,000,000 GBX class A performance shares converting to fully paid ordinary shares on a 1:1 basis upon GBX announcing a JORC 2012 compliant inferred resource of at least 190Mt at a minimum grade of 0.3 g/t Au or at least 160Mt at a minimum grade of 0.3% Cu;
 - (b) 250,000,000 GBX class B performance shares converting to fully paid ordinary shares on a 1:1 basis upon GBX announcing a JORC 2012 compliant inferred resource of at least 285Mt a minimum grade of 0.3 g/t Au or at least 240Mt at a minimum grade of 0.3% Cu; and
 - (c) 250,000,000 GBX class C performance shares converting to fully paid ordinary shares on a 1:1 basis upon the grant of an exploration licence being granted to Kalia in the Tinputz district of North Bougainville and the period of 180 days thereafter.