



**Ventnor Resources Limited**

**ABN 59 142 014 873**

## **Notice of Annual General Meeting**

### **Explanatory Statement**

**and**

### **Proxy Form**

**Date of Meeting**

Thursday, 30 November 2017

**Time of Meeting**

12.00 noon (WST)

**Place of Meeting**

The Celtic Club  
48 Ord Street  
West Perth WA 6005

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2017 Annual General Meeting of members of Ventnor Resources Limited (**Ventnor** or the **Company**) will be held on Thursday, 30 November 2017, commencing at 12.00 noon (WST) at The Celtic Club, 48 Ord Street, West Perth, Western Australia.

The enclosed Explanatory Statement accompanies and forms part of this Notice of Annual General Meeting.

### AGENDA

#### ORDINARY BUSINESS

##### Accounts and Reports

*To receive and consider the annual financial report for the financial year ended 30 June 2017, together with the reports by directors and auditors thereon.*

#### 1. Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report set out in the Company’s Annual Report for the financial year ended 30 June 2017 be adopted.”*

**Note: The vote on this resolution is advisory only and does not bind the directors of the Company.**

##### Voting Prohibition

Pursuant to section 250R(4) of the Corporations Act, the Company is required to disregard any votes cast on Resolution 1 (in any capacity) by or on behalf of any of the following persons:

- (a) member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member (together “prohibited persons”).

However, the Company will not disregard a vote if:

- (c) the prohibited person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (d) the vote is not cast on behalf of a prohibited person.

#### 2. Resolution 2: Re-election of Director (Mr Paul Boyatzis)

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

*“That Mr Paul Boyatzis, being a Director of the Company who retires by rotation in accordance with Clause 11.3 of the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company.”*

## SPECIAL BUSINESS

### 3. Resolution 3: Approval of 10% Placement Capacity

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

*“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the Shares on issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### 4. Resolution 4: Adoption of Ventnor Employee Incentive Plan (EIP)

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

*“That, as an exception to Listing Rule 7.1, and for all other purposes, approval is given for the establishment of the “Ventnor Resources Limited Employee Incentive Plan” and the issue of securities, and shares on exercise of convertible securities issued, thereunder on the terms and conditions summarised in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Voting Prohibition**

The Company will disregard any votes cast on this Resolution (in any capacity) by or on behalf of any of the following persons:

- (a) member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member (together “prohibited persons”).

However, the Company will not disregard a vote if:

- (c) the prohibited person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (d) the vote is not cast on behalf of a prohibited person.

## 5. Resolution 5: Grant of Options to Mr Paul Boyatzis

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

*“That, for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, the Directors be and are hereby authorised to issue 3,000,000 Incentive Options to Mr Paul Boyatzis or his nominee, on the terms and conditions set out in the Explanatory Statement.”*

### Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by Mr Paul Boyatzis and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Voting Prohibition

The Company will disregard any votes cast on this Resolution (in any capacity) by or on behalf of any of the following persons:

- (a) member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member (together “prohibited persons”).

However, the Company will not disregard a vote if:

- (c) the prohibited person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (d) the vote is not cast on behalf of a prohibited person.

## 6. Resolution 6: Grant of Options to Mr Bruce Maluish

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

*“That, for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, the Directors be and are hereby authorised to issue 5,000,000 Incentive Options to Mr Bruce Maluish or his nominee, on the terms and conditions set out in the Explanatory Statement.”*

### Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by Mr Bruce Maluish and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Voting Prohibition

The Company will disregard any votes cast on this Resolution (in any capacity) by or on behalf of any of the following persons:

- (a) member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member (together “prohibited persons”).

However, the Company will not disregard a vote if:

- (c) the prohibited person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (d) the vote is not cast on behalf of a prohibited person.

## 7. Resolution 7: Grant of Options to Mr Peter Pawlowitsch

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

*“That, for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, the Directors be and are hereby authorised to issue 3,000,000 Incentive Options to Peter Pawlowitsch or his nominee, on the terms and conditions set out in the Explanatory Statement.”*

### Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by Mr Peter Pawlowitsch and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Voting Prohibition

The Company will disregard any votes cast on this Resolution (in any capacity) by or on behalf of any of the following persons:

- (a) member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member (together “prohibited persons”).

However, the Company will not disregard a vote if:

- (c) the prohibited person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (d) the vote is not cast on behalf of a prohibited person.

## 8. Resolution 8: Proposed Grant of Options to Mr John Geary

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

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, the Directors be and are hereby authorised to issue 1,000,000 Incentive Options to Mr John Geary or his nominee, on the terms and conditions set out in the Explanatory Statement forming part of this Notice of annual general meeting.”*

### Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by Mr John Geary and any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Voting Prohibition

The Company will disregard any votes cast on this Resolution (in any capacity) by or on behalf of any of the following persons:

- (a) member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member (together “prohibited persons”).

However, the Company will not disregard a vote if:

- (c) the prohibited person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (d) the vote is not cast on behalf of a prohibited person.

## 9. Resolution 9: Equal Reduction of Capital and In-Specie Distribution of Delgare Shares

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

*“That, subject to resolution 10 being passed, for the purposes of section 256B and section 256C(1) of the Corporations Act, and for all other purposes, approval is given for the Company to reduce the share capital of the Company by the Company making a pro rata in specie distribution of all of the issued Delgare Shares to Eligible Shareholders on the Record Date on the terms and conditions set out in the Explanatory Statement.”*

## 10. Resolution 10: Amendment of Constitution

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

*“That, for the purpose of section 136 of the Corporations Act and for all other purposes, Shareholders approve the amendment of the constitution of the Company with immediate effect by adding the following new clause:*

### ***Reductions of Capital***

3.20. *The Company may reduce its share capital on any terms and at any time. The method of distribution of a reduction of the share capital of the Company may include any or all of the payment of cash, the issue of shares, the grant of Company options or other Company securities, the distribution or transfer of shares or any other securities in any other body corporate or units in any unit trust or the transfer of any other assets. If a distribution of a reduction of the share capital of the Company includes an issue or transfer of shares in a body corporate, each Member agrees to become a member of that body corporate and, in the case of transfer, appoints the Company and each Director as its agent to execute an instrument of transfer or other document required to transfer those shares to that Member.”*

## Voting at Annual General Meeting

The Directors have determined pursuant to Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 5.00pm (WST) on 28 November 2017. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the general meeting.

Proxy and Voting Entitlement Instructions are included on the Proxy Form accompanying this Notice of Annual General Meeting.

## Annual Report Online

Shareholders who have not elected to receive a hard copy of the Annual Report can access the report on the company's website at [www.ventnorresources.com.au](http://www.ventnorresources.com.au).

## BY ORDER OF THE BOARD



**John Geary**  
Company Secretary

27 October 2017

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## EXPLANATORY STATEMENT

### 1. INTRODUCTION

This Explanatory Statement has been prepared for the information of members of Ventnor Resources Limited (“**Company**”) in connection with the business to be conducted at the Annual General Meeting of members to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Thursday, 30 November 2017, commencing at 12.00 noon (WST).

This Explanatory Statement forms part of and should be read in conjunction with the accompanying Notice of Annual General Meeting and Prospectus.

### 2. 2017 ANNUAL REPORT

In accordance with the requirements of the Company’s Constitution and the Corporations Act, the 2017 Annual Report will be tabled at the Annual General Meeting. Shareholders will have the opportunity of discussing the Annual Report and making comments and raising queries in relation to the Annual Report. There is no requirement for a formal resolution on this item.

Representatives from the Company’s auditors, RSM Australia Partners, will be present to take shareholders’ questions and comments about the conduct of the audit and the preparation and content of the audit report.

### 3. ADOPTION OF REMUNERATION REPORT: RESOLUTION 1

#### 3.1 General

The Corporations Act requires that at a listed company’s annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors.

If at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company’s next annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of the Shareholders vote in favour of the Spill Resolution, the Company must convene an extraordinary general meeting (**Spill Meeting**) within 90 days of the relevant annual general meeting. All of the Directors who were in office on the date when the Company’s applicable Directors Report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

At the Company’s previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this annual general meeting.

The Remuneration Report sets out the Company’s remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors’ report contained in the annual financial report of the Company for the financial year ended 30 June 2017.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

### 3.2 Proxy Restrictions

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of the Key Management Personnel or any Closely Related Party as your proxy to vote on this Resolution 1, you must direct the proxy how they are to vote. Where you do not direct the Chair, or another member of the Key Management Personnel or Closely Related Party on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to Resolution 1.

The above note on voting does not apply if the voter is the Chair of the Meeting and the undirected proxy expressly authorises the Chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

### 3.3 Definitions

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those person having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the members spouse;
- (c) a dependent of the member or the members spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth).

**Remuneration Report** means the remuneration report set out in the Directors' report section of the Company's annual financial report for the year ended 30 June 2017.

## 4. RE-ELECTION OF DIRECTOR: Resolution 2

Resolution 2 relates to the re-election of Mr Paul Boyatzis as a Director.

In accordance with the requirements of clause 11.3 of the Company's Constitution and the Corporations Act, one-third of the directors of the Company retire from office at this Annual General Meeting of the Company. Mr Boyatzis retires by rotation and, being eligible, offers himself for re-election.

A summary of the qualifications and experience of Mr Boyatzis is provided in the Annual Report.

All the Directors, except for Mr Boyatzis, recommend that Shareholders vote in favour of Resolution 2

## 5. APPROVAL OF 10% PLACEMENT CAPACITY: RESOLUTION 3

### 5.1 General

Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 3, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (as set out in Section 5.2 below).

The effect of Resolution 3 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

## 5.2 Listing Rule 7.1A

Listing Rule 7.1A enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation (as at 13 October 2017) of approximately \$4.02 million

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one class of Equity Securities on issue, being the Shares (ASX Code: VRX).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (i) plus the number of Shares issued in the previous 12 months under an exception in Listing Rule 7.2;
  - (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
  - (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under this rule; and
  - (iv) less the number of Shares cancelled in the previous 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under Listing Rule 7.1 or 7.4.

### 5.3 Technical information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

#### (a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within five ASX trading days of the date in Section 5.3(a)(i), the date on which the Equity Securities are issued.

#### (b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking),

or such longer period if allowed by ASX (**10% Placement Capacity Period**).

The approval under Resolution 3 for the issue of Equity Securities will cease to be valid in the event that shareholders approve a transaction under Listing Rules 11.1.2 or 11.2.

#### (c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A(2), on the basis of the current market price of Shares and the number of Equity Securities currently on issue.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

No. Shares on Issue*	Dilution			
	Issue price per Share	\$0.009	\$0.018	\$0.027
		50% decrease in issue price	Current issue price	50% increase in issue price
223,395,589 (Current)	Shares issued	22,339,559	22,339,559	22,339,559
	Funds raised	\$201,056	\$402,112	\$603,168
335,093,384 (50% increase)	Shares issued	33,509,338	33,509,338	33,509,338
	Funds raised	\$301,584	\$603,168	\$904,752
446,791,178 (100% increase)	Shares issued	44,679,118	44,679,118	44,679,118
	Funds raised	\$402,112	\$804,224	\$1,206,336

\*The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. The current shares on issue are the Shares on issue as at 13 October 2017.
2. The issue price set out above is the closing price of the Shares on the ASX on 13 October 2017.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or with approval under Listing Rule 7.1.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under Listing Rule 7.1.
7. Resolution 3 has been approved by Shareholders at the Meeting.

Shareholders should note that there is a risk of economic and voting dilution of existing ordinary security holders that may result from an issue of Equity Securities under Listing Rule 7.1A.2, including the risk that:

- (i) the market price for the Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue, or issued for non-cash consideration for the acquisition of a new asset.

**(d) Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for exploration and evaluation of the company's exploration projects and general working capital; or
- (ii) as non-cash consideration for the acquisition of new assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

**(e) Allocation under the 10% Placement Capacity**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to a number of factors, including:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company; and
- (v) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Capacity have not been determined as at the date of this Notice but may include existing Shareholders and/or new investors who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is possible that the allottees under the 10% Placement Capacity will be the vendors of the new assets or investments.

**(f) Previous Approval under Listing Rule 7.1A**

The Company previously obtained approval under Listing Rule 7.1A at its annual general meeting held on 28 November 2016.

In accordance with Listing Rule 7.3A.6, the following information is provided to shareholders regarding the equity securities issued in the previous 12 months preceding the date of the Annual General Meeting (that is, 28 November 2016).

#### **Listing Rule 7.3A.6(a)**

The table below shows the total number of equity securities issued in the previous 12 months preceding the date of the Annual General Meeting and the percentage that those issues represent of the total number of equity securities on issue at the commencement of that 12 month period.

Total number of equity securities issued in the 12 months preceding the date of the meeting	5,000,000 Options
Percentage that they represent of the total number of equity securities on issue at the commencement of that 12 month period	2.2%

#### **Listing Rule 7.3A.6(b)**

The table below sets out specific details for each issue of equity securities that have taken place in the 12 month period prior to the date of the Annual General Meeting.

<b>Date of issue</b>	29 November 2016
Number issued	5,000,000
Summary of terms	Options exercisable at 2.8 cents each on or before 28 November 2019
Names of the persons who received securities or basis on which those persons were determined	Directors
Price	Nil
Discount to market price (if any)	N/A
<b>For cash issues</b>	
Total cash consideration received	Nil
Amount of cash consideration spent	Nil
Use of cash consideration	N/A
Intended use for remaining amount of cash (if any)	N/A
<b>For non-cash issues</b>	
Non-cash consideration paid	Nil
Current value of that non-cash consideration	\$39,500 (using Black-Scholes model)

## **5.4 Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

## **6. ADOPTION OF EMPLOYEE INCENTIVE PLAN (EIP): RESOLUTION 4**

### **6.1 Background**

The Company has introduced a new employee share scheme which is presented to Shareholders for approval at this General Meeting.

Resolution 4 relates to the Ventnor Resources Limited Employee Incentive Plan (**EIP**), described in more detail below.

The EIP incorporates both broad based equity participation for eligible employees as well as key executive incentive schemes.

A summary of the key terms of the EIP is set out in Schedule 1, and a copy of the rules of the EIP is available upon request from the Company.

The purpose of the EIP is to:

- (a) reward employees and consultants of the Company;
- (b) assist in the retention and motivation of employees and consultants of the Company; and
- (c) provide an incentive to employees and consultants of the Company to grow shareholder value by providing them with an opportunity to receive an ownership interest in the Company.

Shareholder approval of the EIP is being sought for all purposes under the Corporations Act and the Listing Rules, including Listing Rule 7.2 (exception 9), so that securities issued in accordance with the EIP will be excluded from the calculation of the maximum number of new securities that can be issued by the Company in any 12 month period (currently 15% of shares previously on issue) for a period of three years from the date of approval.

If this Resolution 4 is approved by Shareholders, it will have the effect of enabling the securities issued by the Company under the EIP to be automatically excluded from the formula to calculate the number of securities which the Company may issue within the 15% in 12 months limit under Listing Rule 7.1 during the next three years period.

This is the first approval sought under Listing Rule 7.2 (exception 9) with respect to the EIP. Accordingly, no securities have previously been issued under the EIP.

## **6.2 EIP terms generally**

The EIP is a new employee equity plan developed to meet contemporary equity design standards and to provide the greatest possible flexibility in the design and offer choices available in the various new equity schemes.

The EIP enables the Company to offer employees a range of different employee share scheme (**ESS**) interests. These ESS interests or awards include options, performance rights, service rights, deferred shares, exempt shares, cash rights and stock appreciation rights.

The type of ESS interest that may be offered to employees will be determined by a number of factors, including:

- the remuneration or incentive purpose;
- the tax jurisdiction that the employee lives and/or works in;
- the laws governing equity incentives where the employee lives and/or works; and
- the logistics and compliance costs associated with offering equity incentives where the employee lives and/or works.

Whenever Shares are acquired under the EIP, they may be acquired and held by an Employee Share Trust (**EST**). The EST will be governed by a trust deed outlining the rules of the EST and the responsibilities of the trustee, the Company and participants and a copy of any trust deed will be available upon request from the Company. It is not the current intention of the Company to establish an EST.

## **6.3 Directors' recommendation**

The Directors unanimously recommend Shareholders vote in favour of Resolution 4. As stated in the Notice, any vote cast in respect of this resolution by a Director and their respective associates will be disregarded, except as stated in the Notice.

## **7. PROPOSED GRANT OF OPTIONS TO DIRECTORS: RESOLUTIONS 5, 6 AND 7**

Resolutions 5 to 7 propose the issue of Incentive Options to Directors.



ASX Listing Rule 10.11 provides that the prior approval of shareholders of Ventnor is required for the issue of equity securities to a related party. If approval is given for the issue of securities under Listing Rule 10.11, approval is not required under Listing Rule 7.1. Listing Rule 10.13 sets out the information to be provided to shareholders in the notice of meeting.

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits, subject to certain exceptions, a company from giving a financial benefit to a related party of the company without prior shareholder approval.

A “financial benefit” is defined in the Corporations Act in broad terms and includes a public company issuing securities.

For the purpose of this meeting, a “related party” includes a director of the Company. Accordingly, the proposed grant of Incentive Options to the specified director involves the provision of a financial benefit to a related party of the Company.

Where no exception is applicable (as is the case in these circumstances), Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that Company, the public company must

- (a) obtain the approval of members in the way set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months after the approval is obtained.

The information required by Chapter 2E of the Corporations Act to be provided to shareholders is contained within this Explanatory Statement and the Notice.

In addition, as all of the Directors have a material personal interest in the issue of the securities that are the subject of Resolutions 5 to 7, the Company seeks approval under section 195 of the Corporations Act so that the Shareholders may pass a resolution to deal with this matter.

The purpose of the issue is to align the interest of Directors (together the **Participating Directors**) with those of the Company and its shareholders. The Directors believe that the future success of the Company will depend in large measure on the skills and motivation of the people engaged in and overseeing the management of the Company's operations. It is therefore important that the Company is able to attract and retain people of the highest calibre.

The Directors consider that the most appropriate means of achieving this is to provide the Participating Directors with an opportunity to participate in the Company's future growth and give them an incentive to contribute to that growth.

The issue of options as part of the remuneration packages of Directors is a well-established practice of junior publicly listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding the Directors.

In determining the number of Incentive Options to be issued and the terms, consideration was given to the relevant experience and role of each of the Participating Directors, their respective overall remuneration terms, the market price of the Company's shares over the past 12 months, and the terms of the options.

The proposed participants in the issue of Incentive Options and the number of Incentive Options to be issued are:

Name	Position	Incentive Options
Paul Boyatzis	Non-Executive Chairman	3,000,000
Bruce Maluish	Managing Director	5,000,000
Peter Pawlowitsch	Non-Executive Director	3,000,000

Listing Rule 10.11 and Chapter 2E of the Corporations Act require shareholder approval to be obtained for the issue of options to related parties (the Participating Directors).

The Incentive Options referred to in resolutions 5 to 7 will be issued free of charge and within one month after the date of this meeting.

In accordance with Section 219 of the Act and in satisfaction of Listing Rule 10.13, the following information is provided to shareholders to allow them to assess whether or not it is in the Company's interests to pass resolutions 6 to 9:

- (a) Messrs Boyatzis, Maluish and Pawlowitsch are the related parties to whom the proposed resolutions would permit a financial benefit to be given. They are a related party to the Company by virtue of Section 228 of the Act;
- (b) The nature of the financial benefit to be given to the related parties is the issue of the Incentive Options for no consideration on the terms and conditions set out in Schedule 2.

The Incentive Options to be issued will not be quoted on ASX and are non-transferable. The options must be exercised by the relevant expiry date, after which date all of the options automatically lapse.

On the basis of the indicative option value as detailed below, the value of options proposed to be issued to the related parties is as follows:

Director	Option Type	No. Options	Indicative Value \$
Paul Boyatzis	Incentive Options	3,000,000	30,300
Bruce Maluish	Incentive Options	5,000,000	50,500
Peter Pawlowitsch	Incentive Options	3,000,000	30,300

The relevant base salaries per annum (including superannuation) of the Directors and the total financial benefit to be received by them for the year ended 30 June 2017, when added to the implied "value" to be received by each of them as a result of the issue of options that are the subject of Resolutions 5 to 7 are as follows:

Director	Position	Annual Remuneration \$	Value of Options to be Issued \$	Total Financial Benefit \$
Paul Boyatzis	Non-Executive Chairman	30,000	30,300	60,300
Bruce Maluish	Managing Director	109,500	50,500	160,000
Peter Pawlowitsch	Non-Executive Director	20,000	30,300	50,300

- (c) The Board declines to make a recommendation to Shareholders in relation to Resolutions 5 to 7 due to each of their material personal interests in the outcome of the Resolutions (as applicable) on the basis that they are to be granted securities in the Company should Resolutions 5 to 7 be passed. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 5 to 7.
- (d) The Participating Directors each respectively has an interest in the outcome of proposed Resolutions 5 to 7. Details of the benefits and costs to the Company are contained herein.
- (e) Excluding any securities proposed to be allotted to the related parties pursuant to Resolutions 5 to 7, Messrs Boyatzis, Maluish and Pawlowitsch, and their associates have a relevant interest in the securities of the Company as set out below:

Name	Shares		Options	
	Direct	Indirect	Direct	Indirect
Paul Boyatzis	-	2,250,000	-	1,500,000 <sup>1</sup>
Bruce Maluish	5,387,143	4,666,667	3,000,000 <sup>2</sup>	-
Peter Pawlowitsch	-	4,007,500	-	1,500,000 <sup>3</sup>

Notes:

1. 500,000 options expiring 2 December 2017, exercisable at 5.5 cents each and 1,000,000 options expiring 28 November 2019, exercisable at 2.8 cents each.
2. 1,000,000 options expiring 2 December 2017, exercisable at 5.5 cents each and 2,000,000 options expiring 28 November 2019, exercisable at 2.8 cents each.
3. 500,000 options expiring 2 December 2017, exercisable at 5.5 cents each and 1,000,000 options expiring 28 November 2019, exercisable at 2.8 cents each.

- (f) There is no other information known to the Directors or the Company that is reasonably required by shareholders to make a decision whether or not it is in the Company's interests to pass resolutions 5 to 7, other than as set out throughout this Explanatory Statement (including the current entitlements of the Directors to securities of the Company). The Directors believe that the options (for all Directors as nominated) are a cost effective benefit for small companies that seek to conserve cash reserves. They also provide an incentive that ultimately benefits both shareholders and the option holder, as option holders will only benefit if the market value of the underlying shares exceeds the option strike price.

### Potential Benefits

If the options are issued pursuant to the proposed resolutions, the Company considers the following benefits arise:

- Messrs Boyatzis, Maluish and Pawlowitsch will have a vested interest in the affairs of the Company. As options are a performance based incentive, they will have that incentive to ensure the market price of the shares of the Company increases to create value in the options and this will benefit all shareholders.
- The issue of options is a non-cash form of remuneration, thus conserving liquid funds.
- The exercise of the options will provide working capital for the company at no significant cost. If all the options proposed to be issued pursuant to resolutions 5 to 7 are ultimately exercised, funds will be raised, though the exact amount will not be determinable until the date of the AGM. Based on an exercise price of 2.52 cents (see commentary as regards valuation of the Options below) an amount of \$277,200 would be raised.

### Dilution Effect and Potential Costs

The potential cost to the Company of the issue of an aggregate of 11,000,000 Incentive Options pursuant to resolutions 5 to 7 is that there will be a dilution of the issued share capital if the Incentive Options are exercised. Based on 223,395,589 Shares currently on issue the exercise of the proposed options to related parties would have a dilution effect of approximately 4.9% of non-associated shareholders interest in the Company.

However, if the other existing Options on issue held by third parties were also to be exercised, the dilution effect would be 8.8%. The Company has the following Options on issue (as at the date of the Notice):

Options expiring 28 November 2019 exercisable at 2.8c	5,000,000
Options expiring 31 October 2019 exercisable at 2.8c	1,000,000
Options expiring 2 December 2017 exercisable at 5.5c	2,750,000

The Directors do not consider that there are any opportunity costs to the Company or benefits foregone by the Company in respect of the proposed issue of options other than, if the options are exercised at a time when the market price of the Company's shares is greater than the exercise price of the options, there will be detriment insofar as the Company will be required to issue shares

at a price lower than it might otherwise have been able to, with the result that less funds will be raised.

The market price for Shares during the term of the Incentive Options would normally determine whether or not the Incentive Options are exercised. If, at the time any of the Incentive Options are exercised, the Shares are trading on ASX at a price that is higher than the exercise price of the Incentive Options, there may be a perceived cost to the Company.

In the 12 months before the date of this Notice, the highest, lowest and last trading price of shares on the ASX are as set out below:

	Date	Price
Low	29 August 2017	0.9 cents
High	10 November 2016	3.0 cents
Last Price	13 October 2017	1.8 cents

The value of Incentive Options to be issued has been calculated using the binomial option pricing model as of 13 October 2017. The value of an option calculated by the binomial option pricing model is a function of a number of variables. The indicative value of the Incentive Options has been calculated using the following variables:

	Incentive Options
Valuation date	13 October 2017
Exercise price	2.52 cents
Maximum option life	3 years
Underlying share price	1.8 cents
Vesting date	Immediately
Risk free rate of return	2.085%
Volatility	100%
Notional Indicative Value	1.01 cents

The underlying share price of 1.8 cents is based on the closing share price on ASX as at 13 October 2017 and the exercise price of 2.52 cents is 140% of that closing price (as a representative figure of what the actual exercise price may be when calculated in accordance with the terms and conditions set out in Schedule 2).

Further details of the terms and conditions of the Incentive Options to be issued are outlined in Schedule 2.

### ASX Requirements

In compliance with the information requirements of Listing Rule 10.13 members are advised of the following particulars in relation to the proposed issue of Incentive Options under resolutions 5 to 7:

**(a) Maximum number of options to be issued:**

11,000,000 Incentive Options

**(b) Date by which the Company will issue options:**

No later than one month after the date of the meeting.

**(c) Price at which options to be issued:**

Nil - The options are being issued to remunerate the specified directors as an incentive for future services.

**(d) Names of the allottees:**

Mr Paul Boyatzis or nominee

Mr Bruce Maluish or nominee  
Mr Peter Pawlowitsch or nominee

**(e) Terms of issue:**

The Incentive Options will be issued for no consideration and on the terms and conditions as outlined in Schedule 2.

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

The Incentive Options will be issued for no consideration. There are no funds being raised from the allotment as the options will be issued as an incentive for future services. Funds raised through the exercise of the Incentive Options will be used for the advancement of Company projects and for working capital purposes.

**(g) Dates of allotment:**

Allotment will occur on one date.

**8. PROPOSED GRANT OF OPTIONS: RESOLUTION 8**

Resolution 8 proposes the grant of 1,000,000 Incentive Options to Mr John Geary, the company secretary.

The Incentive Options will be issued for no consideration. No Directors or their associates will participate in the allotment of Incentive Options approved under Resolution 8.

Listing Rule 7.1 relevantly provides that the prior approval of the shareholders of Ventnor is required to an issue of equity securities if the securities will, when aggregated with the securities issued by Ventnor during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

The number of securities to be issued by Ventnor under proposed Resolution 9 will not exceed 15%, however, to maintain the Company's 15% placement capacity shareholder approval is being sought for the issue of the Incentive Options.

The information required by Listing Rules 7.1 and 7.3 to be provided to shareholders is contained within this Explanatory Statement and the Notice.

In compliance with the information requirements of Listing Rule 7.3 members are advised of the following particulars in relation to the proposed issue of options:

**(a) Maximum number of options to be issued:**

1,000,000 Incentive Options

**(b) Date by which the Company will issue options:**

No later than three months after the date of the meeting.

**(c) Price at which options to be issued:**

The options are being issued free as an incentive for work to be performed for the Company

**(d) Name of the allottee:**

John Geary or nominee

**(e) Terms of issue:**

The Incentive Options will be issued on the terms and conditions as outlined in Schedule 2.

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

The Incentive Options will be issued for no consideration. There are no funds being raised from the issue as the options will be issued as an incentive for future services.

**(g) Dates of allotment:**

Allotment will occur on one date.

**9. APPROVAL FOR AN EQUAL REDUCTION OF CAPITAL AND IN-SPECIE DISTRIBUTION OF DELGARE SHARES: RESOLUTION 9**

**9.1 Background**

The Company proposes (subject to obtaining all necessary Shareholder approvals), to demerge all of its interest in Delgare, the Company's wholly owned subsidiary (**Demerger**).

Delgare's only material assets comprise its rights under the tenement sale agreement in respect of the Thaduna/Green Dragon Copper Project and cash. Section 9.4 contains further information in respect of the DTM Payment and Royalty payable under that agreement. Ventnor has provided \$100,000 to Delgare to fund the ongoing operational costs of Delgare, which is anticipated will be sufficient for at least five years. On the Demerger completing, Delgare will have no liabilities.

Ventnor as an entity with its shares quoted on the Official List of the ASX, is a disclosing entity and, as such, is subject to regular reporting and disclosure obligations. Copies of documents lodged in relation to Ventnor can be accessed at either the Company's ASX announcements platform or the Company's website.

**9.2 Demerger**

It is intended that the Demerger will occur by way of an equal reduction by Ventnor of its capital and Ventnor distributing its holding of all of its Delgare Shares in specie to Shareholders on a pro rata basis based on the number of Shares held by such holders at the Record Date (**In-specie Distribution**). At the date of this Notice, there are 223,395,589 Ventnor Shares on issue and the Company anticipates that the In-specie Distribution will comprise one Delgare Share for every one Share held (unless Options are exercised in the meantime). Prior to the In-Specie Distribution, Delgare will undertake a share split to procure that it has the same number of shares on issue as Ventnor. In the event this is not the case, the ratio of distribution will change and any fractional entitlements to Delgare Shares will be rounded down.

Ventnor Shareholders will consequently retain direct ownership of Ventnor and will also receive a direct ownership interest in Delgare.

The intention of the Demerger is to allow Ventnor to focus on exploration and, separately, to provide Shareholders who initially invested in the Company under its initial public offering and ASX listing in 2011 exposure to benefit from the Company's Thaduna/Green Dragon Copper Project. It will allow existing Ventnor Shareholders to realise the potential value of the DTM Payment and the Royalty that are potentially payable to Delgare, and 'ring-fences' the transaction by demerging Delgare from the Ventnor group.

**9.3 Delgare Corporate Structure and Board**

Delgare was incorporated on 29 June 2009.

If Resolution 9 is passed and the Company completes the Demerger, Delgare would operate as an independent company, with its only material assets being cash and its rights to receive the DTM Payment and Royalty as further described in Section 9.4.

It is proposed that Delgare would operate as an unlisted public company (on completion of a change of status from a proprietary limited company to a public company, which is anticipated to occur prior to the date of the Meeting), subject to the approval of Shareholders. Cash reserves of Delgare as at the date of this Notice are approximately \$100,000. Operating costs for Delgare following the Demerger are estimated by the Company to be in the region of \$15,000 per annum.

The current directors of Delgare are Mr Paul Boyatzis, Mr Bruce Maluish and Mr Peter Pawlowitsch, all of whom are the directors of Ventnor. Mr John Geary is company secretary. Biographies for all three directors and the company secretary are set out in the Annual Report.

None of these parties will receive any remuneration from Delgare in their roles as Delgare officers.

#### **9.4 Delgare's Material Assets: DTM Payment and Royalty**

As previously announced to ASX, in August 2016 the Company and Delgare entered into agreements (**Agreements**) with Sandfire Resources NL (**Sandfire**) for Sandfire to purchase the remaining 65% of the Thaduna/Green Dragon Copper Project being tenements M52/1060 and 1061 and L52/0149 and 0150 (**Project**) not owned by Sandfire.

The Project is located 40km east of DeGrussa and represents the largest copper resource in the Doolgunna-Bryah Basin Region outside of Sandfire's DeGrussa Doolgunna Project.

The consideration for the purchase comprised the issue of Sandfire shares to Delgare or its nominee to a value of \$1,700,000, a deferred cash payment of \$950,000 if Sandfire proceeds with a decision to mine from the Project (**DTM Payment**) and a royalty on copper production from the Project (**Royalty**). The initial share consideration has been paid and the DTM Payment and Royalty remains. A summary of the terms and conditions of the Royalty follows.

##### ***Initial and Ongoing Royalty***

For each calendar quarter or part thereof in which copper (**Product**) is extracted from the Project and sold, removed or otherwise disposed of, Delgare (or its nominee) shall receive a 2% net smelter royalty (**NSR**) payable up to the first 90,000 tonnes of Product and an ongoing NSR of 1% on all further Product. Of the NSR, 0.2% and 0.1% respectively is payable to LinQ Corporate Pty Ltd until the aggregate payments to LinQ equal \$1.6 million (after which time Delgare will receive the entirety of the NSR).

The obligation to pay the Royalty continues, with respect to the Project, for the full term of the underlying tenements, including any successor tenements and throughout the period that the Product can lawfully be extracted and recovered, unless the agreement is previously determined in accordance with its terms.

##### ***Adjustment of Royalty***

The parties recognize that a period of time exists between the extraction and recovery of ore, the production of concentrates from ore, the production of Products from concentrates, and the receipt by Sandfire of the Products or the revenue from the sale or other disposal of the Products.

Accordingly, the payment of Royalty in a quarter may not coincide exactly with the actual amount of Products produced during the quarter. Sandfire may adjust the Royalty records and statements following determination of an allowed adjustment. Additionally, Sandfire must provide a final statement of the Royalty due for a quarter within 30 days of determination of the final adjustment.

##### ***Deduction from Royalty and other payments***

If a party making a payment to another party under the agreement is legally required to deduct any tax, duty, levy, impost, deduction, charge or withholding from that payment, the deduction is for the account of the party receiving the payment. The agreement provides for prompt notification of a requirement to make a tax deduction or any change of rate for taxation.

### ***Interest and Costs***

If Sandfire fails to pay the Royalty due under the agreement on or before the due date for payment, then Sandfire must also pay to Delgare immediately on demand interest on the amount and all costs and expenses (including legal costs and expenses on a full indemnity basis) incurred by Delgare which are attributable to the failure to pay by the due date.

### ***Finality of Statement***

A Royalty statement in respect of a quarter and payment of the Royalty in accordance with that statement is final and in full satisfaction of all obligations of Sandfire with respect to and payment of the Royalty for that quarter, unless (1) Delgare does not agree with the statement (in which case Delgare may seek an audit of the statement and/or issue a dispute notice) within 12 months of receiving the statement, or (2) there has been any fraud, deliberate miscalculation, or reckless calculation of the Royalty.

### ***Information and Financial and Audits***

Sandfire must keep, or cause to be kept, true and accurate Royalty records in accordance with accounting standards and generally accepted Australian mining industry practice.

Delgare may appoint a registered company auditor to inspect, audit and report on the Royalty records, and Sandfire must, subject to reasonable prior notice, give the auditor appointed by Delgare full and free access to the Royalty records.

The agreement also provides for inspection of any operations carried on within the Project tenements to ensure those operations are not being carried on in a manner designed to prejudice the quantum of the Royalty, including where Sandfire is commingling Product extracted from the Project with other ores, concentrates, mineral products, metals and minerals produced elsewhere. Delgare may, at reasonable times and at its own cost and risk and not more than once in every six months by itself or by a qualified and recognised mining engineer appointed by it, inspect and conduct a technical audit on the methods and practices used by Sandfire in weighing, sampling, assaying or other measuring or testing of Product extracted from the Project.

If Delgare notifies Sandfire of any underpayment or overpayment of the Royalty which Delgare's auditor, in its reasonable opinion, considers exists, or the audit determines that any Royalty paid has been calculated in error, Sandfire must, on being provided with a copy of the report of Delgare's auditor, make an adjustment of the Royalty due for the next quarter accordingly, unless Sandfire gives a notice of dispute in relation to the relevant statement.

Delgare may give Sandfire a copy of any technical report arising from a technical audit conducted which raises, as a matter of concern, any matter concerning the weighing, sampling, assaying or any other measuring or testing practice which is not consistent with good mining and metallurgical practice in Australia applied reasonably.

If Sandfire does not accept that there is a matter of mining and metallurgical practice which it is prepared to, and does, correct, either party may give a notice of dispute in relation to that matter.

### ***Disputes***

Disputes under the agreement are to be resolved by senior representatives of the parties in good faith with a fixed time period.

If the senior representatives of the parties are unable to resolve the dispute, either party may thereafter commence legal proceedings in respect of the dispute.

## **9.5 Capital Reduction**

As noted in Section 9.2, the Company seeks Shareholder approval under Resolution 9 to enable it to reduce its capital by the distribution of specific assets to Shareholders, being all of the Delgare Shares on issue.



The Corporations Act and the Listing Rules set out the procedure and timing for a capital reduction. Refer to Section 9.6 for an indicative timetable in respect of the Demerger.

The alteration to the Company's capital and the In-specie Distribution will become effective from the Record Date.

If the capital reduction proceeds, Ventnor Shareholders will receive a pro rata entitlement to the Delgare Shares and each Shareholder's name will be entered on the register of members of Delgare with each Shareholder having deemed to have consented to becoming a Delgare Shareholder and being bound by its constitution in accordance with the proposed amendment to the Constitution as set out in Resolution 10 (see Section 10 for more information).

A Shareholder's entitlement to Delgare Shares to be distributed is to be based on the number of Shares held at the Record Date. Prior to the In-Specie Distribution, Delgare will undertake a share split to procure that it has the same number of shares on issue as Ventnor. In the event this is not the case, the ratio of distribution will change and any fractional entitlements to Delgare Shares will be rounded down.

Other than as their capacity as Shareholders or as otherwise set out in this Explanatory Statement, none of the Directors have any interest in Resolution 9.

## 9.6 Key dates\*

Event	Date
Annual General Meeting to approve (among other things) the In-specie Distribution of Delgare Shares	30 November 2017
ASX informed of Shareholder approval	30 November 2017
Ex date for the capital reduction – the date on which Ventnor Shares commence trading without the entitlement to participate in the distribution	4 December 2017
Record Date for capital reduction (5.00pm WST)	5 December 2017
Completion of Demerger and In-specie Distribution to Shareholders of Delgare Shares	12 December 2017
Holding statements sent to Shareholders	12 December 2017

\* These dates are indicative only and may change without notice.

## 9.7 Independent Expert's Report and Delgare Valuation

The Board has requested that RSM Corporate Australia Pty Ltd (**RSM**) prepare an independent expert's report (**Report**) to express its opinion as to whether or not the advantages of the proposed Demerger outweigh the disadvantages to Ventnor Shareholders. The opinion expressed in the Report by RSM is that the proposed return of capital and Demerger is in the best interests of Shareholders on the basis that the position of Shareholders is more advantageous if it is approved than if it is not approved. Shareholders are encouraged to read the Report which is annexed to this Explanatory Statement as Annexure A.

Further, the Board also requested that RSM undertake a valuation of Delgare. RSM has determined a value for Delgare of \$100,000. A copy of the valuation report is contained in appendix D to the Report.

## 9.8 Advantages and Disadvantages of the Demerger

The Directors are of the view that the following non-exhaustive list of advantages and disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 9:

### (a) Advantages

- (i) All Shareholders will retain their current percentage ownership interest in the capital of the Company.
- (ii) The Proposed Transaction will ensure that the current interests of Ventnor Shareholders in the Thaduna/Green Dragon Copper Project will not be diluted as a consequence of any future equity investment in the Company.
- (iii) The Demerger will allow greater flexibility for the boards and management of Ventnor and Delgare to develop their own corporate strategies and implement capital structures and financial policies appropriate to their businesses.
- (iv) Delgare will have very low operating costs because its only asset is the Royalty and it has no other operations.

### (b) Disadvantages

- (i) Shareholders will not have a liquid market for their Delgare Shares and may incur additional transaction costs if they wish to dispose of their new investment in Delgare (e.g. brokerage costs).
- (ii) There may be a taxation consequence in respect of the distribution of the Delgare Shares to Shareholders. Details of the possible general taxation effect of the transaction are set out in Section 9.19 of this Explanatory Statement.
- (iii) The costs relating to Delgare and the Demerger (some of which will initially be incurred by Ventnor) will include, but are not limited to:
  - (A) legal and other fees incurred in the preparation of documentation giving effect to the Demerger; and
  - (B) tax advice obtained in relation to taxation consequences of the Demerger.
- (iv) Delgare, as an unlisted public company, will have limited ability to raise additional capital if funds are required for its activities.

## 9.9 Failure to achieve completion of the Demerger

Failure to achieve completion of the Demerger will mean that any financial benefits from the DTM Payment and Royalty will be retained wholly within Ventnor, as the 100% owner of Delgare.

## 9.10 Effect of capital reduction on Ventnor and Delgare

If Shareholder approval is obtained for the reduction of capital and the Directors proceed to implementation, it will have the effect of reducing the Company's total and net assets by \$100,000.

The capital reduction is estimated to equate to approximately \$0.00045 per Ventnor Share (based on the number of Ventnor Shares on issue as at the date of the Notice). See Section 9.7 and the Report for further information on the value attributed to Delgare. The exact amount of the return of capital per Share may vary in the event that new Shares are issued or Options are exercised prior to the Record Date.

A pro-forma statement of financial position for the Ventnor consolidated group and Delgare is contained in Schedule 3. This shows the financial impact of the capital reduction and the Demerger on the Company. At completion of the Demerger, Delgare will have \$100,000 in cash and no liabilities.

Furthermore, the Company, being an ASX listed entity, is subject to the continuous disclosure requirements set out in Chapter 3 of the Listing Rules. As such, the Company is required to lodge quarterly accounts detailing the Company's current financial position. Any use of funds by the Company will be detailed in these quarterly reports and any significant transactions will be disclosed to Shareholders.

## 9.11 Capital structure of Ventnor and effect of capital reduction

### ***Shares***

The rights attaching to Ventnor Shares will not alter. At the date of this Notice, there are 223,395,589 Ventnor Shares on issue.

The highest and lowest recorded sale prices of Ventnor Shares as traded on ASX during the 12 months immediately preceding the date of this Notice, and the respective dates of those sales were:

	<b>Date</b>	<b>Price</b>
Low	29 August 2017	0.9 cents
High	10 November 2016	3.0 cents
Last Price	13 October 2017	1.8 cents

The last price is the closing price of Ventnor Shares on ASX of 1.8 cents on 13 October 2017.

### ***Options***

The Company has the following Options on issue (as at the date of the Notice):

Options expiring 28 November 2019 exercisable at 2.8c	5,000,000
Options expiring 31 October 2019 exercisable at 2.8c	1,000,000
Options expiring 2 December 2017 exercisable at 5.5c	2,750,000

Listing Rule 7.22.3 states that where a company returns capital to its shareholders, the number of options must remain the same and the exercise price of each option must be reduced by the same amount as the amount returned on each share. Given the estimated capital reduction of approximately \$0.00045 per Ventnor Share (see Section 9.10), the exercise price of Options currently on issue will reduce by the same amount.

## 9.12 Capital structure of Delgare and effect of capital reduction

The current capital structure of Delgare is 100 fully paid ordinary shares and no other securities. Prior to the capital reduction and In-Specie Distribution, Delgare will undertake a share split to procure that it has the same number of shares on issue as Ventnor. In any case, the number of Shares on issue as at will not change as a consequence of the capital reduction.

Shareholders should note that the capital structure outlined above is indicative only and that Delgare has the discretion to amend the capital structure without notice.

### 9.13 Directors' interests and recommendations

The table below sets out the number of securities in Ventnor held by the Directors at the date of the Meeting and also the number of Delgare Shares they are likely to have an interest in if Resolution 9 is passed and implemented:

Director	Shares		Options		Approx. no. Delgare Shares each Director will receive
	Direct	Indirect	Direct	Indirect	
Paul Boyatzis	-	2,250,000	-	1,500,000 <sup>1</sup>	2,250,000
Bruce Maluish	5,387,143	4,666,667	3,000,000 <sup>2</sup>	-	10,053,810
Peter Pawlowitsch	-	4,007,500	-	1,500,000 <sup>3</sup>	4,007,500

Notes:

1. 500,000 options expiring 2 December 2017, exercisable at 5.5 cents each and 1,000,000 options expiring 28 November 2019, exercisable at 2.8 cents each.
2. 1,000,000 options expiring 2 December 2017, exercisable at 5.5 cents each and 2,000,000 options expiring 28 November 2019, exercisable at 2.8 cents each.
3. 500,000 options expiring 2 December 2017, exercisable at 5.5 cents each and 1,000,000 options expiring 28 November 2019, exercisable at 2.8 cents each.

After considering all relevant factors, the Directors recommend the Shareholders vote in favour of Resolution 9 for the reasons set out in Sections 9.7 and 9.8.

### 9.14 Regulatory Requirements: Corporations Act

#### **Section 256B**

The proposed reduction of capital by way of an in-specie distribution to Ventnor Shareholders is an equal capital reduction.

Under section 256B of the Corporations Act, the Company may only reduce its capital if it:

- (a) is fair and reasonable to Ventnor Shareholders as a whole;
- (b) does not materially prejudice the Company's ability to pay its creditors; and
- (c) is approved by Ventnor Shareholders in accordance with Section 256C of the Corporations Act.

The Directors believe that the Demerger is fair and reasonable to Ventnor Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors. This is because each Ventnor Shareholder is treated equally and in the same manner since the terms of the reduction of capital are the same for each Ventnor Shareholder and for reasons set out elsewhere in this Explanatory Statement. The In-specie Distribution is on a pro rata basis, and the proportionate ownership interest of each Ventnor Shareholder remains the same before and after the Demerger.

In accordance with the Corporations Act:

- (a) the proposed reduction is an equal reduction and requires approval by an ordinary resolution passed at a general meeting of Ventnor Shareholders;
- (b) this Explanatory Statement and previous ASX announcements set out all information known to Ventnor that is material to the decision on how to vote on Resolution 9; and
- (c) Ventnor has lodged with ASIC a copy of the Notice.

## **Chapter 6D**

Under ASIC Regulatory Guide 188, an invitation to Ventnor Shareholders to vote on Resolution 9 for the In Specie Distribution of Delgare Shares to Ventnor Shareholders constitutes an offer of securities under Chapter 6D of the Corporations Act and a prospectus is required unless an exemption applies. As no exemption applies, the Company has prepared a prospectus that contains information in relation to Delgare (**Prospectus**).

The Prospectus accompanies the Notice and has been lodged with ASIC at the same time as the Notice. The Company recommends that all Shareholders read the Prospectus carefully and in conjunction with the Notice. The Prospectus also allows Shareholders to sell their Delgare Shares within the first 12 months after receiving them.

### **9.15 Regulatory Requirements: Listing Rules**

Listing Rule 7.17 provides in part that a listed entity, in offering shareholders an entitlement to securities, must offer those securities pro-rata or in such other way as, in the ASX's opinion, is fair in all the circumstances. In addition, there must be no restriction on the number of securities which a shareholder holds before this entitlement accrues. The Demerger satisfies the requirements of Listing Rule 7.17 because the issue of Delgare Shares is being made to Ventnor Shareholders on a pro rata basis, and there is no restriction on the number of Ventnor Shares a Ventnor Shareholder must hold before the entitlement to the Delgare Shares accrues.

### **9.16 Overseas Shareholders**

The In-specie Distribution of the Delgare Shares to overseas Ventnor Shareholders under the reduction of capital will be subject to legal and regulatory requirements in their relevant overseas jurisdictions. If the requirements of any jurisdiction where a Ventnor Shareholder is resident are held to restrict or prohibit the distribution of securities as proposed or would impose on Ventnor an obligation to prepare a prospectus or other similar disclosure document or otherwise impose on Ventnor an undue burden, the Delgare Shares to which the relevant Ventnor Shareholder is entitled will not in fact be issued to such Ventnor Shareholders and instead will be sold by Ventnor on their behalf, in order that Ventnor will pay the relevant Ventnor Shareholder a cash equivalent amount (if any), or otherwise Ventnor will seek to make alternative arrangements with respect to the relevant Ventnor Shareholder which are reasonable in all the circumstances.

If Ventnor elects to sell the Delgare Shares on a relevant Ventnor Shareholder's behalf, Ventnor will then account to those Shareholders for the net proceeds of sale after deducting the costs and expenses of the sale. As the return of capital is being represented and satisfied by the In-specie Distribution and security prices may vary from time to time (assuming a liquid market is available), the net proceeds of sale to such Ventnor Shareholders may be more or less than the notional dollar value of the reduction of capital. It will be the responsibility of each Ventnor Shareholder to comply with the laws to which they are subject in the jurisdictions in which they are resident.

### **9.17 Delgare Shares**

A summary of the more significant rights that will attach to the Delgare Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Delgare shareholders. Full details of the rights attaching to the Delgare Shares are set out in Delgare's constitution, a copy of which is available on request.

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights attaching to the ordinary shares of the Company. Full details are contained in the constitution, available for inspection at the Company's registered office:

#### **(a) Share Capital**

All issued ordinary shares rank equally in all respects.

**(b) Voting Rights**

At a general meeting of the company, every holder of shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for every fully paid share held, and for every contributing share held, a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the contributing share.

**(c) Dividend Rights**

Subject to the rights of holders of shares issued with any special or preferential rights (at present there are none), the profits of the company which the directors may from time to time determine to distribute by way of dividend are divisible among the shareholders in proportion to the shares held by them respectively, according to the amount paid up or credited as paid up on the shares.

**(d) Rights on Winding-Up**

Subject to the rights of holders with shares with special rights in a winding-up (at present there are none), on a winding-up of the company all assets which may be legally distributed amongst the members will be distributed in proportion to the shares held by them respectively, accordingly to the amount paid up or credited as paid up on the share.

**(e) Transfer of Shares**

Shares in the company may be transferred by instrument in any form which complies with the constitution. The directors must not interfere with the registration of a transfer of shares.

**(f) Calls on Shares**

Shares issued fully paid are not subject to any calls for payment by the company and will not therefore become liable for forfeiture.

**(g) Further Increases in Capital**

The allotment and issue of any new shares is under the control of the directors and, subject to any restrictions on the allotment of shares imposed by the constitution or the Corporations Act, the directors may allot, issue or grant options over or otherwise dispose of those shares to such persons, with such rights or restrictions as they may from time to time determine.

**(h) Variation of Rights Attaching to Shares**

Where shares of different classes are issued, the rights attaching to the shares of a class can thereafter only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.

**(i) General Meeting**

Each shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the company and to receive notices, accounts and other documents required to be furnished to shareholders under the constitution and the Corporations Act.

**9.18 Risk factors**

On completion of the Demerger, Ventnor Shareholders will become direct shareholders in Delgare and should be aware of the general and specific risks that may affect Delgare and the value of its securities. These risk factors are outlined in Schedule 4.

## 9.19 Taxation implications for Ventnor Shareholders

The following is a general summary of the Australian taxation consequences for Ventnor Shareholders who receive Delgare Shares in respect of the In-specie Distribution based on the applicable taxation law as at the date of the Notice.

The *in-specie* distribution of Delgare shares from Ventnor to Ventnor Shareholders in respect of the share capital reduction is not expected to have any CGT implications for Ventnor or Ventnor Shareholders where demerger tax relief under Division 125 of the *Income Tax Assessment Act 1997 (ITAA97)* (**Demerger Relief**) is available and an election is made to obtain Demerger Relief. No demerger benefit received by Ventnor Shareholders is expected to be an assessable dividend under section 44 of the *Income Tax Assessment Act 1936 (ITAA36)* unless the Commissioner makes a determination under Section 45A, 45BA or 45C ITAA36.

Ventnor is in the process of seeking a Class Ruling from the Australian Tax Office (**ATO**) to confirm the taxation implications for Shareholders in respect of:

- (a) the availability of Demerger Relief;
- (b) the non-application of the integrity rules in Section 45B, 45BA and 45C ITAA36;
- (c) confirmation the entire distribution of Delgare Shares will be treated as a return of capital; and
- (d) confirmation of the tax cost base of the new interest for Ventnor Shareholders.

The Class Ruling application obtained from the ATO will provide certainty of the tax outcomes for Ventnor and Ventnor Shareholders. Once Ventnor has lodged its Class Ruling application with the ATO, it is expected that it will take several months for the ATO to make its decision on the application. Ventnor will update Shareholders accordingly in due course and, once a Class Ruling has been received, it will be posted on the Company's website [www.ventnorresources.com.au](http://www.ventnorresources.com.au).

Ventnor Shareholders should note however that the Capital Reduction and Distribution In-Specie is **NOT** conditional on Ventnor obtaining the Class Ruling or Demerger Relief being made available.

**Each Ventnor Shareholder should seek and rely on their own professional taxation advice, specific to their particular circumstances, in relation to the taxation consequences of the Capital Reduction. Neither Ventnor, nor any of its officers or advisers, accepts liability or responsibility with respect to such consequences or the reliance by any Shareholder on any part of the following summary or the comments.**

There are taxation consequences in respect of the distribution of the Delgare Shares to Ventnor Shareholders. Details of the general taxation effect of the Capital Reduction for Australian resident Ventnor Shareholders are detailed below.

The following comments are not tax advice and are intended as only a general guide to the Australian income tax implications discussed in this section, and not other Australian or foreign taxes or issues. They should not be a substitute for advice from an appropriate professional adviser and all Ventnor Shareholders are strongly advised to obtain their own professional advice on the tax implications based on their own specific circumstances.

The comments summarise certain limited aspects of the Australian income tax consequences of the capital reduction from the perspective of individual and corporate Australian tax resident Ventnor Shareholders who hold their Shares on capital account (**Participating Shareholders**).

The comments are based on the law and practice of the tax authorities in Australia as at the date of the Notice. These are subject to change periodically as is their interpretation by the courts.

These comments do not apply to:

- (a) Ventnor Shareholders who hold their Shares as trading stock, under an employee share plan, as a financial arrangement, as revenue assets or otherwise on revenue account (ie. Ventnor Shareholders who **do not** hold their Ventnor Shares on capital account for income tax purposes);
- (b) Ventnor Shareholders who are not Australian tax residents; and
- (c) Ventnor Shareholders who are subject to the rule concerning the taxation of financial arrangements contained in Division 230 ITAA97 in respect of their Ventnor Shares.

The Australian tax consequences pertaining to Ventnor Shares and associated with the return of capital (and the restructure in general), may in general terms be summarised as follows:

- (a) the restructure may qualify for concessional tax treatment under the demerger provisions of Division 125 ITAA97. In broad terms, these provisions allow a roll-over when a capital gains tax (**CGT**) event happens to original interests in a company under a demerger and new or replacement interests are received in the demerged entity. Any capital gain or loss made from the CGT event happening to original interests is disregarded. **It should be noted that if the restructure qualifies for Demerger Relief, Ventnor Shareholders will be required to elect for demerger roll-over to apply for CGT consequences resulting from the demerger transaction to be disregarded, otherwise normal CGT consequences will apply;**
- (b) if the restructure qualifies for Demerger Relief, irrespective of whether or not you choose the roll-over, then the cost base and the reduced cost base of your Ventnor Shares and your new Delgare Shares will be apportioned in accordance with the market values (or a reasonable approximation thereof) of Ventnor and Delgare. Ventnor will provide Participating Shareholders with information to assist them in determining their respective cost bases after the demerger;
- (c) if the restructure qualifies for Demerger Relief, irrespective of whether or not Demerger Relief is chosen, Participating Shareholders will be treated as having acquired their Delgare Shares on the same date as their Ventnor Shares for the purposes of determining the availability of the CGT discount in respect of any subsequent disposal of their shares;
- (d) the return of capital is to be made from Ventnor's share capital account. Accordingly, the return of capital should not be considered to be an assessable dividend. However, in some instances, a return of capital in the context of a demerger, may constitute a deemed unfranked dividend if the Commissioner of Taxation forms the opinion that sections 45B and 45BA ITAA36 (**Capital Streaming Rules**) should apply to the transaction. Broadly, the Capital Streaming Rules will apply where shareholders are being provided capital benefits in substitution for dividends. The Capital Streaming Rules will apply if:
  - (i) there is a scheme under which a person is provided with a demerger benefit or capital benefit by the company;
  - (ii) under the scheme a taxpayer, who may or may not be the person provided with the demerger benefit or capital benefit, obtains a tax benefit; and
  - (iii) having regard to the relevant circumstances of the scheme, it would be concluded that the person, or one of the persons, who entered into or carried out the scheme or any part of the scheme did so for a purpose (whether or not the dominant purpose but not including an incidental purpose) of enabling a taxpayer to obtain a tax benefit;
- (e) should the CGT provisions apply to the return of capital (ie the restructure does not qualify for Demerger Relief), the broad CGT consequences are as follows:
  - (i) the consideration received on the return of capital will be treated as a reduction in the cost base or reduced cost base of your Ventnor Shares and, in the event that the



- value of the Delgare Shares exceeds the cost base of your Ventnor Shares, an assessable capital gain will arise;
- (ii) where an assessable capital gain arises, the amount required to be included in your assessable income will be calculated on the following basis:
    - (A) where you held your Ventnor Shares for less than twelve months, or you are a company, the full amount by which the value of the Delgare Shares exceeds your cost base of Ventnor Shares will be a capital gain; and
    - (B) where you held your Shares for at least twelve months and you are an individual, trust or superannuation fund you may be able to apply a discount to your capital gain. Individuals and trusts are able to apply a 50% discount to the capital gain, superannuation funds are able to apply a one third discount to the capital gain. It should be noted that corporate entities are not able to apply any discount to the capital gain;
  - (f) non-resident Shareholders are advised to seek their own specific advice in respect of the restructure;
  - (g) the taxation consequences to Ventnor Shareholders (resident and non-resident) who may hold Ventnor Shares on revenue account or through a company or superannuation fund will depend on their specific circumstances and, accordingly, Shareholders such as banks, insurance companies, share traders and professional investors should seek their own specific advice.

## 9.20 Taxation implications for the Company

The transfer of Delgare Shares from Ventnor to Ventnor Shareholders in respect of the share capital reduction is not expected to have any CGT implications for Ventnor where Demerger Relief is available.

If demerger relief is not available, Ventnor will have a CGT Event A1 and a capital gain to the extent that the market value of the shares exceeds the cost base in Ventnor's hands. An exit allocable cost amount (**ACA**) calculation will be prepared when Delgare exits the Ventnor tax consolidated group. Ventnor has significant carry forward tax losses that will be offset against any potential capital gain.

There will be no Australian dividend withholding tax on the payment of the demerger benefit to Ventnor Shareholders that are not Australian tax residents to the extent that the demerger benefit distributed to Ventnor Shareholders is a return of share capital. If the Commissioner makes a determination that a portion of the demerger benefit is a demerger dividend, the portion that is a dividend will be unfranked and will therefore be subject to dividend withholding tax if it is paid to a non-Australian tax resident. If Australian dividend withholding tax is payable on dividends from Ventnor, shareholders who are not tax resident in Australia should seek their own tax advice to determine the Australian and foreign taxation implications.

## 9.21 GST Implications

The in-specie distribution by Ventnor of the Delgare Shares is an Input Taxed Supply as defined in Subdivision 40-A of the A New Tax System (Goods and Services Tax) Act 1999 (**GST Act**). Alternatively, it is not a supply made in the course or furtherance of an enterprise that Ventnor carries on.

Notwithstanding the alternative, the in-specie distribution will not be a taxable supply as defined in Subdivision 9-A of the GST Act and therefore there is no GST liability in respect of that distribution for Ventnor.

For Ventnor Shareholders in receipt of the distribution, it cannot be a creditable acquisition as defined in Division 11 of the GST Act. Therefore, they cannot claim an input tax credit (GST refund) in respect of the distribution.

## **9.22 Lodgement with ASIC**

The Company has lodged with the ASIC a copy of this Notice and the Explanatory Statement in accordance with section 256C(5) of the Corporations Act. The Company has also lodged with ASIC a copy of the Prospectus that accompanies this Notice at the same time the Notice was lodged with ASIC.

ASIC takes no responsibility for the contents of this Notice or the merits of the transaction to which this Notice relates.

## **9.23 Disclosure to ASX and ASIC**

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

## **9.24 Other material information**

If Resolution 9 is passed, the reduction of capital is required to take effect in accordance with a timetable approved by ASX. Please refer to Section 9.6 for the proposed indicative timetable for completion of the Demerger, which is subject to change by the Company and any requirements of the Listing Rules and the Corporations Act.

There is no information material to the making of a decision by a Ventnor Shareholder whether or not to approve Resolution 9 (being information that is known to any of the Directors and which has not been previously disclosed to Ventnor Shareholders) other than as disclosed in the Notice, this Explanatory Statement and the Prospectus.

# **10. AMENDMENT OF CONSTITUTION: RESOLUTION 10**

## **10.1 Background**

To ensure that the Company has requisite power to distribute the Delgare Shares to its shareholders in-specie, amendment to the Company's constitution in relation to reduction of capital is necessary. This is proposed under resolution 10.

The new clause expressly permits the Company to reduce its share capital by distributing shares it owns in another body corporate and clarifying that its shareholders consent to becoming a member of that body corporate as required by section 231 of the Corporations Act.

## **10.2 Directors Recommendation**

The Board believes that Resolution 10 is in the best interests of the Company and its shareholders and unanimously recommends that shareholders vote in favour of it.

# **11. DEFINITIONS**

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice.

**Annual Report** means the Directors' Report, the Financial Report, and the Auditor's Report in respect to the year ended 30 June 2017.

**ASX** means ASX Limited ABN 98 008 624 691.

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

**Delgare** means Delgare Pty Ltd ACN 137 981 081.

**Delgare Shares** means fully paid ordinary shares in the capital of Delgare.

**Demerger** is defined in Section 9.1.

**Directors** means the current directors of the Company.

**DTM Payment** is defined in Section 9.4.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** include a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means this Explanatory Statement.

**Incentive Option** means an option to acquire a Share on the terms and conditions set out in Schedule 2.

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

**Notice** means the notice of Annual General Meeting which forms part of this Explanatory Statement.

**Option** means an option to acquire a Share.

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

**Record Date** means the date referred to as such in Section 9.6.

**Royalty** is defined in Section 9.4.

**Schedule** means schedule of this Explanatory Statement.

**Section** means section of this Explanatory Statement.

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

**Shareholder** or **Ventnor Shareholder** means the holder of a fully paid ordinary share in the capital of the Company.

**Ventnor** or **Company** means Ventnor Resources Limited ABN 59 142 014 873.

## **SCHEDULE 1**

### **Summary of EIP Key Terms and Key Policy Settings**

#### **Eligibility**

The Board has the discretion to determine which employees are eligible to participate in the EIP. The definition of employee under the rules of the EIP includes any full time or permanent part time employee or officer or director of the Company or consultant of the Company or any related body corporate of the Company.

#### **Vesting conditions**

The vesting of any securities issued under the EIP, excluding Exempt Shares and Stock Appreciation Rights, may be conditional on the satisfaction of performance and/or service conditions as determined by the Board and advised to the employee in the individual's offer documents.

#### **Exercise of securities**

Vested securities issued under the EIP will not automatically trigger the exercise of the securities, but a participant will be entitled to exercise in accordance with the terms contained in the invitation to the individual.

#### **Price**

Securities issued under the EIP may be issued at no cost to the participants. Options may be subject to payment of an exercise price by the participant which is determined by the Board and advised to the participant in the individual's offer documents.

#### **Lapse/forfeiture**

Securities issued under the EIP will lapse or be forfeited on the earliest of:

- any expiry date applicable to the securities;
- any date which the Board determines that vesting conditions applicable to the securities are not met or cannot be met;
- the participant dealing in respect of the securities in contravention of the EIP; and
- the Board determining that a participant has committed an act of fraud, is ineligible to hold the office for the purposes of Part 2D.6 of the Corporations Act, or is found to have acted in a manner that the Board considers to constitute gross misconduct.

#### **Board may elect to settle in cash**

If the Board determines that it is not appropriate for tax, legal, regulatory or compliance reason to issue or transfer Shares upon satisfaction of its obligations under the plan, the Company may make a cash payment to the participant in accordance with the terms of the plan.

#### **Waiving the restricted period**

The Board may waive or shorten the restriction period applicable to securities issued under the EIP, as contained in the offer to the participant.

## SCHEDULE 2

### Terms and Conditions of Incentive Options

The terms and conditions of the Incentive Options are as follows:

- (a) Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in Ventnor Resources Limited (ACN 142 014 873).
- (b) The options are exercisable at a price equal to 140% of the volume weighted average price of the Company's shares on ASX for the five trading days prior to the date on which shareholders approve the issue of the options.
- (c) The options will expire three years from the date of issue (**Expiry Date**).
- (d) The options are exercisable at any time on or prior to the Expiry Date by notice in writing to the directors of the company accompanied by payment of the exercise price.
- (e) The options are non transferable.
- (f) All shares issued upon exercise of the options will rank *pari passu* in all respects with the Company's then existing ordinary fully paid shares. The Company will apply for Official Quotation by the ASX of all shares issued upon exercise of the options.
- (g) There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, if from time to time on or prior to the Expiry Date the company makes an issue of new shares to the holders of fully paid ordinary shares, the Company will send a notice to each holder of options at least nine Business Days before the record date referable to that issue. This will give Option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- (h) If from time to time on or prior to the Expiry Date the Company makes an issue of shares to the holders of ordinary fully paid shares in the Company by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of their options, Optionholders will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (**bonus shares**) if on the record date for the bonus issue they have been registered as holder, if, immediately prior to that date, they had fully exercised their options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank *pari passu* in all respects with the other shares allotted upon exercise of the options.
- (i) There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the options.
- (j) In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable Listing Rules in force at the time of the reorganisation.

### SCHEDULE 3

#### Pro Forma Statement of Financial Position

	Audited at 30 June 2017 <b>Consolidated</b>	Pro-forma Unaudited 30 June 2017 <b>Consolidated</b>	Pro-forma Unaudited 30 June 2017 <b>Delgare</b>
	\$	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	1,227,791	1,127,791	100,000
Trade and other receivables	125,867	125,867	-
Investments	-	-	-
<b>Total Current Assets</b>	<b>1,353,658</b>	<b>1,253,658</b>	<b>100,000</b>
<b>Non-Current Assets</b>			
Trade and other receivables	44,630	44,630	-
Plant and equipment	2,780	2,780	-
Deferred exploration expenditure	2,374,791	2,374,791	-
<b>Total Non-Current Assets</b>	<b>2,422,201</b>	<b>2,422,201</b>	<b>-</b>
<b>Total Assets</b>	<b>3,775,859</b>	<b>3,675,859</b>	<b>100,000</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	272,956	272,956	-
Provisions	61,152	61,152	-
Loans and borrowings	-	-	-
<b>Total Current Liabilities</b>	<b>334,108</b>	<b>334,108</b>	<b>-</b>
<b>Total Liabilities</b>	<b>334,108</b>	<b>334,108</b>	<b>-</b>
<b>Net Assets</b>	<b>3,441,751</b>	<b>3,341,751</b>	<b>100,000</b>
<b>EQUITY</b>			
Issued capital	20,571,809	20,571,809	100
Reserves	1,620,756	1,620,756	-
Accumulated losses	(18,750,814)	(18,850,814)	99,900
<b>Total Equity</b>	<b>3,441,751</b>	<b>3,341,751</b>	<b>100,000</b>

#### **Basis of Preparation**

The above pro forma statement of financial position has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005) and to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

## **SCHEDULE 4**

### **Risk Factors**

This Schedule sets out some of the key risks associated with an investment in Delgare. A number of risks and uncertainties, which are both specific to Delgare and of a more general nature, may adversely affect the operating and financial performance or position of Delgare, which in turn may affect the value of the Delgare Shares and the value of an investment in Delgare.

The risks and uncertainties described below are not an exhaustive list of the risks facing Delgare or associated with an investment in Delgare. Additional risks and uncertainties may also become important factors that adversely affect Delgare's operating and financial performance or position.

#### **Delgare Specific Risks**

**(a) Future Capital Needs and Additional Funding**

Delgare will have approximately \$100,000 once the demerger is completed to fund its holding costs until any potential payment from Sandfire. There can be no guarantees that Delgare's cash reserves will be sufficient to last until Delgare receives payments from Sandfire.

Any additional equity financing may be dilutive to the Delgare's existing Shareholders. Additionally as Delgare is going to be unlisted it may have difficulty raising additional capital if required.

**(b) Failure of Sandfire to pay due amounts**

If for some reason Sandfire withhold payments to Delgare due under the contract, Delgare may have to take recovery action through the legal system and this may be costly and time consuming.

**(c) Economic Risk**

Changes in the general economic climate in which Delgare will operate may adversely affect the financial performance of Delgare. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption and the rate of growth of gross domestic product in Australia and other jurisdictions in which the Company may acquire mineral assets.

**(d) Insurance Risks**

Delgare intends to adequately insure its operations in accordance with industry practice. However, in certain circumstances, Delgare's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of Delgare.

**(e) No Profit To-Date**

Delgare has incurred losses since its inception and it is therefore not possible to evaluate its prospects based on past performance. As Delgare's only potential income is payments from Sandfire with the timing indeterminate, the Directors anticipate making further losses in the foreseeable future.

**(f) Changes in Government Policies and Legislation**

Any material adverse changes in government policies or legislation of Australia may affect the potential payments from Sandfire to Delgare.

**(g) No liquidity**

Delgare will be unlisted which means there is no active market for Delgare shares, therefore it is possible that shareholders will not be able to sell their shares.

**Mining Industry Risks**

These are risks which may affect Sandfire Resources NL (**Sandfire**) in relation to the Thaduna/Green Dragon Project and therefore the DTM Payment and Royalty, which is Delgare's only material assets other than cash.

**(a) Title risk**

Mining tenements are governed by the respective State legislation and each tenement is held for a specific term and carries with it annual expenditure and reporting commitments as well as other conditions requiring compliance. There is a risk that Sandfire could lose title to one or more of its tenements if tenement conditions or annual expenditure commitments are not met.

**(b) Resource and Reserve Estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that are valid when made may change significantly when new information becomes available through drilling, sampling and similar examinations.

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should Sandfire encounter mineralisation or formations different from those predicted, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect Sandfire's operations.

Reserve and resource estimates are expressions of judgment based on drilling results and other exploration observations, along with a competent person's experience working with relevant mining properties, and other factors. Estimates based on available data and interpretations and thus estimations may prove to be inaccurate or may change substantially when new information becomes available.

The actual quality and characteristics of mineral deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources.

Reserves are value based financial and operational forecasts and consequently, the actual reserves and resources may differ from those estimated either positively or negatively.

**(c) Exploration and Development Risks**

Mineral exploration, development and mining are high-risk enterprises, only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high average costs of discovery of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing difficulties, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery.

There is no assurance that exploration of the mineral interests currently held by Sandfire, will result in the discovery of an economically viable mineral deposit. Even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

**(d) Operational Risks**

The operations of Sandfire may be affected by various factors including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and



operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of Sandfire.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability.

**(e) Commodity Price Volatility and Foreign Exchange Risk**

In the event that Sandfire achieves exploration success leading to production, the revenue it will derive through the sale of commodities exposes the amount of the Royalty to commodity price risks.

Commodity prices fluctuate and are affected by numerous factors beyond the control of Delgare. These factors include world demand for copper, forward selling by producers, and production cost levels in major metal-producing regions.

Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on Sandfire's exploration, development and production activities, as well as on its ability to fund those activities.

Furthermore, international prices of various commodities are denominated in United States Dollars, whereas the payments from Sandfire to Delgare are and will be taken into account in Australian currency, exposing Delgare to the fluctuations and volatility of the rate of exchange between the United States Dollar and the Australian Dollar as determined in international markets.

**(f) Environmental Risks**

The operations and proposed activities of Sandfire are subject to regulations concerning the environment. The government and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects and mining operations, Sandfire's activities are expected to have an impact on the environment, particularly if mine development proceeds.

The potential for liability is an ever-present risk. Future legislation and regulations governing coal production may impose significant environmental obligations on Sandfire.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent Sandfire from being able to develop the Thaduna/Green Dragon Project.

**(g) Global credit and investment market**

Global credit, commodity and investment markets can and do experience a high degree of uncertainty and volatility. The factors which lead to this situation are outside the control of Delgare and Sandfire and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which the Sandfire's ability to raise additional equity and/or debt that may be required to mine the Thaduna/Green Dragon Project.

**(h) Metallurgy**

Metal and/or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as:

- identifying a metallurgical process through test work to produce a saleable metal and/or concentrate;
- developing an economic process route to produce a metal and/or concentrate; and
- changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

**(i) Native title**

The Native Title Act recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with Native Title in Australia and this may impact on Sandfire's operations and future plans. Native Title can be extinguished by valid grants of land (such as freehold title) or waters to people other than the Native Title holders or by valid use of land or waters. It can also be extinguished if the indigenous group has lost its connection with the relevant land or waters. Native Title is not necessarily extinguished by the grant of mining leases, although a valid mining lease prevails over Native Title to the extent of any inconsistency for the duration of the title.

**General Risks**

**(a) General economic climate**

Factors such as inflation, currency fluctuation, interest rates and supply and demand have an impact on operating costs, and stock market prices. Delgare's future revenues and the value of its securities may be affected by these factors, which are beyond Delgare's control.

**(b) Changes in legislation and government regulation**

Government legislation in Australia or any other relevant jurisdiction, including changes to the taxation system, may affect future earnings and relative attractiveness of Delgare and/or the Thaduna/Green Dragon Project. Changes in government policy or statutory changes may affect Delgare and the attractiveness of an investment in it.

**(c) Unforeseen risk**

There may be other risks which the Directors are unaware of at the time of issuing this Prospectus which may impact on Delgare, its operation and/or the valuation and performance of its securities.

**(d) Combination of risks**

Delgare may not be subject to a single risk. A combination of risks, including any of the risks outlines in this Section could affect the performance valuation, financial performance and prospects of Delgare.

**(e) Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although Delgare is not aware of any additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of Delgare.

**Annexure A**

**Independent Expert's Report**



## VENTNOR RESOURCES LIMITED

Financial Services Guide and Independent Expert's Report

25 October 2017

*We have concluded that the Proposed Transaction is in the best interests of Shareholders on the basis that the position of the Shareholders is more advantageous if it is approved than it if is not approved*

# FINANCIAL SERVICE GUIDE

25 October 2017

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

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 financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

## Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

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

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

## General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

## Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, 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.

## Remuneration or other benefits received by our employees

All our employees receive a salary.

## 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.

## Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

## 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 should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

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 company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website 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](mailto:info@fos.org.au)

## Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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25 October 2017

The Directors  
Ventnor Resources Limited  
6 Thelma Street  
West Perth WA 6005

Dear Directors

## INDEPENDENT EXPERT'S REPORT ("REPORT")

### 1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of Annual General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for the 2017 Annual General Meeting of Ventnor Resources Limited ("Ventnor" or "the Company") to be held on or around 30 November 2017, at which shareholder approval will be sought for (among other things) the demerger of Delgare Pty Ltd ("Delgare"), a wholly owned subsidiary of the Company ("Proposed Transaction").
- 1.2 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is in the best interests of Ventnor Shareholders.
- 1.3 Our report is prepared to assist Shareholders in their decision whether to approve the Proposed Transaction. The request for approval of the Proposed Transaction is included as Resolution 9 in the Notice. Resolution 9 is subject to the approval of Resolution 10, in the Notice. We have restated these resolutions below.

#### Resolution 9

*"That, subject to resolution 10 being passed, for the purposes of section 256B and section 256C(1) of the Corporations Act, and for all other purposes, approval is given for the Company to reduce the share capital of the Company by the Company making a pro rata in specie distribution of all of the issued Delgare Shares to Eligible Shareholders on the Record Date on the terms and conditions set out in the Explanatory Statement."*

#### Resolution 10

*"That, for the purpose of section 136 of the Corporations Act and for all other purposes, Shareholders approve the amendment of the constitution of the Company with immediate effect by adding the following new clause:*

### THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847



### **Reductions of Capital**

3.20. *The Company may reduce its share capital on any terms and at any time. The method of distribution of a reduction of the share capital of the Company may include any or all of the payment of cash, the issue of shares, the grant of Company options or other Company securities, the distribution or transfer of shares or any other securities in any other body corporate or units in any unit trust or the transfer of any other assets. If a distribution of a reduction of the share capital of the Company includes an issue or transfer of shares in a body corporate, each Member agrees to become a member of that body corporate and, in the case of transfer, appoints the Company and each Director as its agent to execute an instrument of transfer or other document required to transfer those shares to that Member."*

- 1.4 We have considered Resolutions 9 and 10, conditions and revised terms as part of the Proposed Transaction because, without them, the Proposed Transaction cannot complete.
- 1.5 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

## 2. Summary and Conclusion

### Approach

- 2.1 There is no requirement under ASX Listing Rules or the Corporations Act (the “Act”) for Ventnor to engage an independent expert in relation to the Proposed Transaction but it is considered best practice. Our Report has been prepared having regard to Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 (“RG 111”), ‘Content of Expert’s Reports’ and Regulatory Guide 112 (“RG 112”) ‘Independence of Experts’.
- 2.2 In arriving at our opinion, we have considered whether or not Shareholders should approve the Proposed Transaction by assessing and comparing:
- The advantages of the Proposed Transaction; and
  - The disadvantages of the Proposed Transaction,
- and undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to Shareholders in their decision of whether or not to approve the Proposed Transaction.
- 2.3 Further information of the approach we have employed in assessing whether the advantages of the Proposed Transaction outweigh the disadvantages are set out at Section 4 of this Report.

### Opinion

- 2.4 In our opinion, the Proposed Transaction is in the best interests of Shareholders on the basis that the position of the Shareholders is more advantageous if it is approved than if it is not approved.
- 2.5 The key advantages of the Proposed Transaction are:
- Shareholders will retain their current percentage ownership interest in the capital of the Company;
  - Any future investment in the Company will not dilute Shareholder’s interests in the Thaduna Project; and
  - Delgare will have a low cost base with its singular objective being to maintain the Royalty.
- 2.6 The key disadvantages of the Proposed Transaction are:
- Shareholders will not have a liquid market for their Delgare Shares;
  - There may be a taxation consequence in respect of the distribution of the Delgare Shares to the Shareholders;
  - Costs of the Proposed Transaction; and
  - Delgare, as an unlisted public company will have limited ability to raise additional capital if funds are required for its activities.

### 3. Summary of Proposed Transaction

#### Background

- 3.1 Ventnor announced on 22 August 2016 that Ventnor, Delgare and Sandfire Resources NL (“Sandfire”) had executed agreements for Sandfire to purchase the remaining 65% of the Thaduna/Green Dragon Copper Project (“Thaduna Project” or the “Project”) held by the Company, with Delgare to maintain a royalty interest in the Project.

#### Overview

- 3.2 It is intended that the Proposed Transaction will occur by way of an equal reduction by Ventnor of its capital and Ventnor distributing its entire holding of Delgare Shares in specie to Shareholders on a pro rata basis (In-specie Distribution).
- 3.3 At the date of this Report, there are 223,395,589 Ventnor Shares on issue. Prior to the In-Specie Distribution Delgare will undertake a share split to procure that it has the same number of shares on issue as Ventnor and the Company anticipates that the In-specie Distribution will comprise one Delgare Share for every one Ventnor Share held (unless further shares are issued or Options are exercised in the meantime).
- 3.4 Shareholders will consequently retain direct ownership of Ventnor and will also receive a direct ownership interest in Delgare.

#### Rationale for the Proposed Transaction

- 3.5 The intention of the Proposed Transaction is to allow Ventnor to focus on exploration and, separately, to provide Shareholders who initially invested in the Company under its initial public offering and ASX listing in 2011 exposure to benefit from the Company's Thaduna Project.
- 3.6 It will allow existing Ventnor Shareholders to realise the potential value of the decision to mine (“DTM”) Payment and the royalty that is potentially to Delgare, and 'ring-fences' the transaction by demerging Delgare from the Ventnor group.

## 4. Scope of the Report

- 4.1 There is no requirement under ASX Listing Rules or the Act for Ventnor to engage an independent expert in relation to the Proposed Transaction.
- 4.2 Notwithstanding the above, Ventnor engaged RSM to prepare this report to provide to Shareholders in deciding whether to accept the Proposed Transaction.

### Regulatory Guidance

- 4.3 In determining the basis of our evaluation and opinion, we have had regard to the views expressed by ASIC in RG 111.
- 4.4 RG 111.35 and RG 111.36 suggest, in the case of a demerger, if there is not;
  - A change in underlying economic interests of security holders;
  - A change in control; or
  - Selective treatment of different security holders,
 then the issue of “value” may be of secondary importance.
- 4.5 An expert should provide an opinion as to whether the advantages of the demerger outweigh the disadvantages.
- 4.6 RG 111.38 states that in a demerger, security holders will typically have to balance issues such as the benefits of a greater focus afforded to the entities against increased costs and reduction in diversified earnings streams.
- 4.7 In determining whether the advantages of the Proposed Transaction outweigh the disadvantages, we have had regard to the views expressed by ASIC in RG 111. The Regulatory Guide suggests that an opinion as to whether the advantages outweigh the disadvantages should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect it.

### Basis of evaluation

- 4.8 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions.
- 4.9 RG 111 states that the expert's report should focus on:
  - The issues facing the security holders for whom the report is being prepared: and
  - The substance of the transaction rather than the legal mechanism used to achieve it.
- 4.10 Having regard to RG 111, we have completed our Report as follows:
  - an analysis of the commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding; and
  - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction

- 4.11 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.
- 4.12 We note that the Proposed Transaction does not require an assessment of fairness to be undertaken, as there is no offer, or consideration of which we can evaluate fairness. Such an assessment is undertaken when analysing control transactions. As there is no change in the underlying economic benefits of security holders or change in control, the Proposed Transaction to demerge Delgare is not a control transaction.

## 5. Profile of Ventnor Resources Limited

### Background

- 5.1 Ventnor is an Australian public company engaged in the exploration, evaluation, and development of mineral properties in Australia. Ventnor was founded in 2010 in Perth, Western Australia and listed on the ASX in 2011.
- 5.2 As at the close of trading on 13 October 2017, Ventnor had a market capitalisation of approximately \$4.02 million.
- 5.3 Ventnor's principal assets include the Biranup Project, the Warrawanda Project and the Arrowsmith Project located in Western Australia, following its divestment of its 65% interest in the Thaduna Project to Sandfire in August 2016.
- 5.4 Ventnor's current exploration activities are focussed on the Biranup Project, located 370km northeast of Kalgoorlie, north of AngloGold Ashanti and Independence Group's Tropicana Gold mine in the Albany-Fraser belt and the Arrowsmith silica sand project, located 270 km north of Perth.
- 5.5 The Company continues to assess further exploration projects in Western Australia.

### Thaduna Project

- 5.6 The Thaduna Project is located 40km east of DeGrussa and represents the largest copper resource in the Doolgunna-Bryah Basin Region outside of Sandfire's DeGrussa-Doolgunna Project (7.9Mt @ 1.8% Cu for 142, 000 tonnes of contained copper as at 15 September 2017). Prior to 22 August 2016, Sandfire owned a 35% interest in the Project and had entered into a farm-in agreement with Ventnor to earn a further 45% (for a total of 80%).
- 5.7 Ventnor announced on 22 August 2016 that Ventnor, Delgare and Sandfire had executed agreements for Sandfire to acquire 100% ownership of the Project with Ventnor to maintain a royalty interest. Sandfire acquired the remaining 65% of the Thaduna Project on 23 August 2016 for the following consideration:
  - the issue of Sandfire shares to Ventnor or its nominee to a value of \$1,700,000 ("Share Consideration");
  - A deferred cash payment of \$950,000 if Sandfire proceeds with a decision to mine from the Project ("DTM Payment"); and
  - a royalty on copper production from the Project ("Royalty").
 (together, the "Consideration")
- 5.8 The Royalty comprises a 2.0% net smelter return ("NSR") payable up to 90,000 tonnes of recovered copper production and an ongoing NSR of 1.0% on further production. Of the NSR 0.2% and 0.1% respectively is payable to LinQ Corporate Pty Ltd until the aggregate payments to LinQ equal \$1.6 million (after which time Delgare will receive the entirety of the NSR).
- 5.9 The initial share consideration has been paid and the DTM Payment and Royalty remains to Delgare.
- 5.10 Ventnor's focus is now on other resource projects which can only be progressed through further capital raising, a result of which will likely be a dilution in the existing interests of Shareholders.
- 5.11 Given that the on-going interest in the Thaduna Project will be passive only, the Directors of Ventnor are seeking to demerge the asset from Ventnor, thereby preserving the existing proportional interests of Shareholders in this asset.

## Industry overview - Mineral Exploration in Australia

### *Current performance*

- 5.12 According to IBISWorld, Industry revenue has substantially declined over the past five years, albeit from historically high levels prior to 2012-13. A combination of global oversupply of some commodities, weak global growth and slowing global demand have substantially diminished the need for industry services. Overall, diminished commodity prices have undermined the viability of mineral exploration. In particular, there have been extensive declines in spending on iron ore, coal, copper, nickel, lead and zinc exploration. This trend is expected to carry over into the current year, with industry revenue set to fall by 7.2% in 2017-18. Exploration firms are likely to benefit from further depreciation of the Australian dollar in 2017-18, as the weaker dollar enables miners to earn more revenue in Australian dollar terms for commodity sales. This trend may increase the revenue of major miners and enable increased exploration funding. In addition, a moderate recovery in the world price of copper may also prompt new exploration projects. However, these beneficial trends are expected to be outweighed by ongoing declines in mining capital expenditure, the world price of gold, and the world price of iron ore.
- 5.13 Overcapacity has emerged in key downstream industries over the past five years, particularly in the Iron Ore Mining industry and the Black Coal Mining industry. This trend, coupled with weaker demand, has caused many commodity prices to fall significantly over the past five years. As a result, industry operators that performed large-scale explorations in previous years have shifted to production. This shift has also caused many established miners to focus on cost minimisation at existing mine sites. Many have cut or reduced exploration budgets, which are considered extraneous in the presence of overcapacity. These trends have also meant that junior miners have struggled to find the equity funding required to conduct mineral exploration.
- 5.14 The industry operates with zero profitability because the returns from exploration activities are realised further down the mining development chain. For returns to be realised, either the right to develop resources or the mineral output itself needs to be sold. This process involves significant injections of capital, and in the case of junior miners, often the acquisition of their exploratory company by an established miner. Return in this case flows to junior miners in terms of a capital gain on their equity stake. For established miners, return lags behind exploration expenditure considerably. On average, it can take between five to ten years for a successful exploration to be developed into an operating mine. Most firms have reduced their spending on exploration activities over the past five years, which has caused the number of mineral deposit discoveries to decline. This has consequently reduced the return on investment for many industry players.
- 5.15 As a result, industry revenue is expected to fall at an annualised 15.3% over the five years through 2017-18, to \$1.4 billion.

### *Industry participants*

- 5.16 The recent declines in spending on exploration have driven many operators out of the industry. As a result, both enterprise and establishment numbers have declined over the past five years. However, patterns of spending on mineral exploration do not necessarily cause similar changes in industry operator numbers. Enterprises and establishments numbers have declined at a much slower rate than industry revenue over the past five years, indicating that many firms are choosing to weather the cycle and stay active in the industry.
- 5.17 For specialised firms that solely undertake exploration activities, the capital intensity and knowledge required to operate in the industry act as barriers to entry and exit. In particular, the operators of small exploration companies are often tied through equity stakes to their businesses. Employment numbers have also rapidly declined over the past five years. This rapid decline is partly due to a reduction in the total number of metres drilled during mineral exploration activities, from 10,188.3 kilometres over the year through March 2012, to well below 7,000 kilometres per annum over the three years through March 2016. The total number of metres drilled has marginally recovered to 7,025.3 kilometres over the year through March 2017 (latest available data). As total drilling activity has remained below previous highs, industry firms have downsized their labour forces to minimise unnecessary expenses.

## Industry Outlook

- 5.18 The Mineral Exploration industry is expected to remain subdued over the next five years. Industry revenue is forecast to marginally grow at an annualised 0.4% over the five years through 2022-23, to reach \$1.4 billion. Rising commodity prices typically increase the incentive for firms to expand their exploration budgets. The world prices of copper, black coal, and iron ore are expected to increase over the next five years. As a result, industry revenue is set to improve as the appetite for exploration slowly increases.
- 5.19 However, exploration expenditure by major mining firms and junior miners is unlikely to return to the level it reached during the height of Australia's mining boom. Although commodity prices are expected to increase over the next five years, growth in exploration is anticipated to be marginal as firms focus on production at existing mine sites. Uncertainty among investors and lower rates of mineral discovery are also likely to constrain growth.

## Directors

- 5.20 The directors of Ventnor are summarised in the table below.

**Table 1 Ventnor Directors**

Name	Title	Experience
<b>Mr Bruce Maluish</b>	Managing Director	Mr Maluish has more than 30 years' experience in the mining industry, including several roles as Managing Director and General Manager with companies such as Monarch Group, Matilda Minerals, Abelle, Hill 50 and Forsyth Mining. His management and administrative experience includes the set up and marketing of IPOs, from commencement of exploration to full production, to the identification, development and expansion of projects including mergers and acquisitions.
		Mr Maluish has been a Director since 24 September 2010.
<b>Mr Paul Boyatzis</b>	Non-Executive Chairman	Mr Boyatzis has over 30 years' experience in the investment and equity markets and an extensive working knowledge of public companies. He has assisted many emerging companies raise investment capital both locally and through overseas institutional investors. Mr Boyatzis is a current member of the Australian Institute of Company Directors, the Securities and Derivative Industry Association and a member of the Certified Practising Accountants of Australia.
		Mr Boyatzis has been a Director of Ventnor since 24 September 2010.
<b>Mr Peter Pawlowitsch</b>	Non-Executive Director	Mr Pawlowitsch holds a Bachelor of Commerce from the University of Western Australia, is a member of the Certified Practising Accountants of Australia and holds a Masters of Business Administration from Curtin University. These qualifications have underpinned more than 10 years' experience in the accounting profession and more recently in business management and the evaluation of businesses and mining projects.
		Mr Pawlowitsch has been a Director of Ventnor since 12 February 2010.

Source: Company

## Financial Information of Ventnor

- 5.21 The information in the following section provides a summary of the financial performance and position of Ventnor for the years' ended 30 June 2017, 30 June 2016 and 30 June 2015 extracted from the audited financial statements of the Company.
- 5.22 The auditor of Ventnor, RSM Australia Partners, has issued an unqualified opinion on the financial statements for the year ended 30 June 2017.



## Financial performance

5.23 The following table sets out a summary of the financial performance of Ventnor for the years' ended 30 June 2017, 2016 and 2015.

**Table 2 Ventnor Historical financial performance**

		Year ended 30-Jun-17	Year ended 30-Jun-16	Year ended 30-Jun-15
\$	Ref.	Audited	Audited	Audited
Revenue		80,355	68,950	61,135
<i>Expenses</i>				
Exploration and evaluation expenditure	5.25	(219,313)	(111,590)	(263,029)
Exploration and evaluation impairment	5.26	-	(9,379,362)	-
Depreciation		(11,753)	(33,430)	(38,024)
Directors' fees and benefits expense		(159,500)	(159,500)	(159,500)
Share based payments		(69,500)	-	(83,890)
Loss on sale of available for sale financial assets	.	(100,591)	-	-
Other expenses	5.28	(530,526)	(398,785)	(379,989)
<b>Loss before income tax expense</b>		<b>(1,010,828)</b>	<b>(10,013,717)</b>	<b>(863,297)</b>
Income tax expense		-	-	-
<b>Loss for the period</b>		<b>(1,010,828)</b>	<b>(10,013,717)</b>	<b>(863,297)</b>

Source: Company financials

- 5.24 The historical financial performance of Ventnor reflects its status as a mineral exploration company, with no operating revenue and primary outgoings comprising exploration expenditure and corporate overheads. The company has previously announced a strategy of substantially reduced running costs following the downturn in the mining industry, which are reflected in the current cost base.
- 5.25 Ventnor's exploration activities during FY17 focussed on gathering high quality survey data at the Biranup Project, along with moderate diamond drilling conducted at the Warrawanda Project.
- 5.26 During FY16 the value of the Thaduna Project was impaired by approximately \$9.4 million, to reflect the fair value of the proceeds less costs to sell associated with the divestment to Sandfire.
- 5.27 \$100,591 loss on sale of available for sale financial assets represent the loss on disposal of listed Shares. Refer to paragraph 5.31 for details.
- 5.28 Other expenses include, among other things, approximately \$100k consulting fees, \$83k rent and \$44k ASX fees.

## Financial position

5.29 The table below sets out a summary of the financial position of Ventnor as at 30 June 2017, 2016 and 2015.

**Table 3 Ventnor Historical financial performance**

\$	Ref.	30-Jun-17 Unaudited	30-Jun-16 Audited	30-Jun-15 Audited
<b>Assets</b>				
Cash and cash equivalents	5.31	1,227,791	84,070	1,027,759
Trade and other receivables	5.32	125,867	38,309	39,318
Non-current asset held for sale	5.31	-	1,700,000	-
<b>Total current assets</b>		<b>1,353,658</b>	<b>1,822,379</b>	<b>1,067,077</b>
Trade and other receivables	5.32	44,630	42,000	42,000
Plant and equipment		2,780	14,533	45,014
Deferred exploration expenditure	5.33	2,374,791	1,403,001	12,126,374
<b>Total non-current assets</b>		<b>2,422,201</b>	<b>1,459,534</b>	<b>12,213,388</b>
<b>Total assets</b>		<b>3,775,859</b>	<b>3,281,913</b>	<b>13,280,465</b>
<b>Liabilities</b>				
Trade and other payables		272,956	70,459	61,611
Provisions		61,152	56,941	50,624
<b>Total current liabilities</b>		<b>334,108</b>	<b>127,400</b>	<b>112,235</b>
<b>Total liabilities</b>		<b>334,108</b>	<b>127,400</b>	<b>112,235</b>
<b>Net assets / (liabilities)</b>	<b>5.30</b>	<b>3,441,751</b>	<b>3,154,513</b>	<b>13,168,230</b>
<b>Equity</b>				
Issued capital	5.34	20,571,809	19,343,243	19,343,243
Reserves		1,620,756	1,551,256	1,551,256
Accumulated losses		(18,750,814)	(17,739,986)	(7,726,269)
<b>Total equity</b>		<b>3,441,751</b>	<b>3,154,513</b>	<b>13,168,230</b>

Source: Company financials

- 5.30 At 30 June 2017 Ventnor had net assets of just over \$3.4 million, primarily driven by approximately \$2.4 million of deferred exploration expenditure and a net working capital deficit of \$0.2 million (calculated as current assets, excluding cash and cash equivalents, and less current liabilities, excluding current interest-bearing liabilities).
- 5.31 Available for sale financial asset of listed Sandfire shares to the value of \$1,700,000 received for the sale of the Project held at 30 June 2016 were sold during FY17 for \$1,599,409, realising a loss on disposal of \$100,591.
- 5.32 Current trade and other receivables primarily comprises \$81k of GST receivables. Non-current trade and other receivables represents approximately \$25k of security bonds and a \$20k performance bond.

- 5.33 Approximately \$1.2 million in exploration expenditure was incurred and capitalised during FY17, whilst around \$0.2 million of expenditure was written off. At 30 June 2016, the value of the Thaduna Project was impaired by approximately \$9.4 million to \$1.7 million, being the fair value of the proceeds less costs to sell. At 30 June 2017 the value of Ventnor's continuing interest in the Thaduna Project through its subsidiary Delgare, was \$nil being fully impaired.
- 5.34 During FY17, Ventnor completed a fully underwritten one for two rights issue to raise just over \$1.0 million, and a further \$255k before costs under the shortfall from the rights issue at \$0.015 per share on 28 October 2016.

## Capital Structure

- 5.35 Ventnor has 223,395,589 ordinary shares on issue.
- 5.36 As set out in the table below, the top 20 shareholders of Ventnor as at 9 October 2017 comprise 52.41% of the Company's issued capital, with Morparq Pty Ltd being the only individual Shareholder with a relevant interest of greater than 10%.

**Table 4 Ventnor Top 20 shareholders**

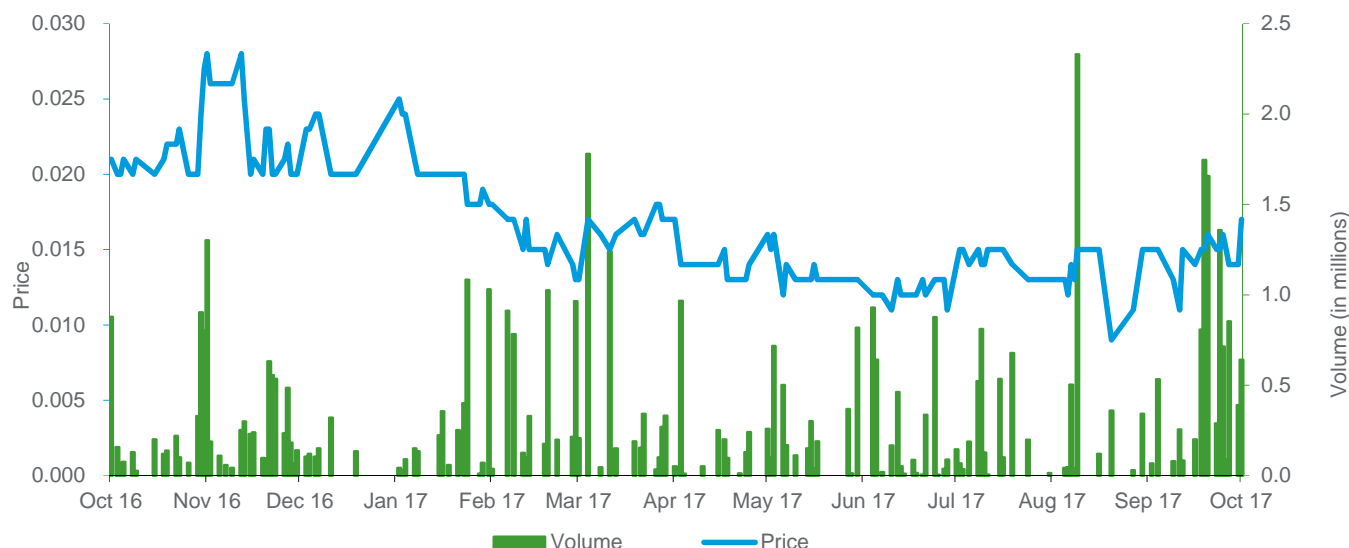
Rank	Name	Total Units	% Issued Share Capital
1	MORPARQ PTY LTD	26,333,333	11.79%
2	SUNSET CAPITAL MANAGEMENT PTY LTD	13,333,334	5.97%
3	BASESHINE HOLDINGS PTY LTD	7,900,000	3.54%
4	GOLDFIRE ENTERPRISES PTY LTD	6,666,667	2.98%
5	ONE MANAGED INVESTMENT FUNDS LIMITED	6,000,000	2.69%
6	DENKEY PTY LTD	5,500,000	2.46%
7	MR BRUCE DENNIS MALUISH	5,387,143	2.41%
8	MR ANTHONY ROBERT RAMAGE	5,300,000	2.37%
9	GROSVENOR PIRIE MANAGEMENT LTD	4,900,000	2.19%
10	MASH SUPER PTY LTD	4,666,667	2.09%
11	MR ANTHONY ROBERT RAMAGE	4,500,000	2.01%
12	PLASIA PTY LTD	4,167,622	1.87%
13	MR AMSON ALIPHIOS HOVE	3,132,865	1.40%
14	HAVEN SUPER PTY LTD	3,007,500	1.35%
15	MS NEELTJE ELISABETH RENES	3,000,000	1.34%
16	PROFESSIONAL PAYMENT SERVICES PTY LTD	2,950,467	1.32%
17	BLUE SPEC MINING PTY LTD	2,867,956	1.28%
18	MR SIMON WILLIAM TRITTON	2,666,667	1.19%
19	BACK9 INVESTMENT MANAGEMENT PTY LTD	2,435,240	1.09%
20	PILLAGE INVESTMENTS PTY LTD	2,357,426	1.06%
<b>Total Top 20 Shareholding</b>		<b>117,072,887</b>	<b>52.41%</b>
Others		106,322,702	47.59%
<b>Total Issued Capital</b>		<b>223,395,589</b>	<b>100.0%</b>

Source: Company

## Share price performance

5.37 The figure below sets out a summary of Ventnor closing share prices and traded volumes for the 12 months to 10 October 2017.

**Figure 1 Ventnor daily closing share price and traded volumes**



5.38 In the 12-month trading period prior to 10 October 2017, Ventnor Shares were traded semi-regularly, but at low volumes. Over this period, approximately 250 trading days, 22% of Ventnor's total Shares outstanding were traded, with trading occurring on approximately 60% of possible trading days. This activity is indicative of an illiquid stock.

5.39 During this period, Ventnor's Shares traded at between \$0.009 and \$0.03 per Share, with the most significant trading day being 2.3 million Shares or 1% of the total issued capital on 18 August 2017. There were no price significant announcements made by the Company in the days immediately preceding and following this announcement that might explain the elevated volume.

## 6. Profile of Delgare

### Background

- 6.1 Delgare was incorporated in 2009 and is based in Perth, Western Australia. Delgare operates as a subsidiary of Ventnor, with its only material asset apart from cash being entitlements to the DTM payment and Royalty from the Thaduna Project.

### Agreements

- 6.2 As noted in section 3.1 in August 2016 Delgare and Sandfire entered into an agreement pursuant to which Sandfire agreed to purchase the remaining 65% of the Thaduna Project not owned by Sandfire. The consideration for the purchase comprised the issue of Sandfire shares to Delgare or its nominee to a value and rights to the DTM Project and Royalty as detailed in sections 5.6 to 5.9.
- 6.3 This is the only material agreement to which Delgare is currently party.

### Directors and management

- 6.4 The current directors of Delgare are Mr Paul Boyatzis, Mr Bruce Maluish and Mr Peter Pawlowitsch, all of whom are the directors of Ventnor. Mr John Geary is company secretary. Biographies for all three directors are set out at paragraph 5.20.
- 6.5 None of these parties will receive any remuneration from Delgare in their roles as Delgare officers.

### Capital Structure

- 6.6 The current capital structure of Delgare is 100 fully paid ordinary shares and no other securities.
- 6.7 Prior to the capital reduction and In Specie Distribution, Delgare will undertake a share split to procure that it has the same number of shares on issue as Ventnor in order to facilitate a one for one pro rata distribution in specie of the Delgare shares to Ventnor shareholders.

### Financial performance

- 6.8 Delgare currently has no material revenue nor expenses. Operating costs for Delgare following the demerger from the Ventnor group are estimated by the Company to be in the region of \$15,000 per annum.
- 6.9 Revenue (if any) is not determinable at this point in time.

### Financial position

- 6.10 Delgare currently has assets in the form of cash reserves of \$100,000 and no liabilities.

## **7. Advantages of the Proposed Transaction**

7.1 The key advantages of the Proposed Transaction are:

- Shareholders will retain their current percentage ownership interest in the capital of the Company with the In-Specie Distribution proposed to be completed on a pro-rata basis based on one Delgare Share for every one Ventnor Share held;
- The Proposed Transaction will ensure that Shareholders' current interests in the Thaduna Project will not be diluted from any future investment in the Company;
- The Demerger will allow greater flexibility for the boards and management of Ventnor and Delgare to develop their own corporate strategies and implement capital structures and financial policies appropriate to their businesses; and
- Delgare will have a low cost base due to its sole asset being the Royalty with no other current or planned operations.

## 8. Disadvantages of the Proposed Transaction

8.1 The key disadvantages of the Proposed Transaction are:

- Shareholders will not have a liquid market for their Delgare Shares due to Delgare being an unlisted private company and the Company not being aware of any current, willing buyers for the Royalty;
- There may be a taxation consequence in respect of the distribution of the Delgare Shares to the Shareholders;
- The costs relating to Delgare and the Demerger (some of which will initially be incurred by Ventnor) will include, but are not limited to:
  - (A) legal and other fees incurred in the preparation of documentation giving effect to the Demerger; and
  - (B) tax advice obtained in relation to taxation consequences of the Demerger; and
- Delgare, as an unlisted public company will have limited ability to raise additional capital if funds are required for its activities.



## 9. Conclusion

- 9.1 In our opinion, in the absence of any other relevant information and/or a superior offer, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved and accordingly in the best interests of Shareholders.
- 9.2 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

**RSM CORPORATE AUSTRALIA PTY LTD**

**A GILMOUR**

A handwritten signature in black ink that reads "Andrew Gilmour".

Director



APPENDICES

# A. DECLARATIONS AND DISCLAIMERS

## Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

## Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour is a director of RSM Corporate Australia Pty Ltd. Mr Gilmour is a Chartered Accountant with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

## Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

## Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Ventnor Resources Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

## Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Andrew Gilmour, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd, RSM Australia Pty Ltd and RSM Australia Partners has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$12,500 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of Ventnor Resources Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

RSM Australia Partners are the auditors of Ventnor.

With the exception of the above fees, we will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

## **Consents**

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Annual General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd, RSM Australia Pty Ltd or RSM Australia Partners has been involved in the preparation of the Notice of Annual General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of Annual General Meeting and Explanatory Statement.

## B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Annual General Meeting;
- Audited financial statements for Ventnor for the years ended 30 June 2017, 30 June 2016 and 30 June 2015;
- ASX announcements of Ventnor;
- S&P Capital IQ database;
- Sandfire Investor Presentation dated 7 September 2017;
- Share Registry Information; and
- Discussions with Directors, Management and staff of Ventnor

## C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian dollar
Act	Corporations Act 2001 (Cth)
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
Company	Ventnor Resources Limited
Control basis	An assessment of the Fair Value of an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Delgare	Delgare Pty Ltd
Directors	Directors of the Company
DTM Payout	Deferred cash payments of \$950,000 if Sandfire proceeds with a decision to mine
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
IER	This Independent Expert Report
Notice	The notice of Annual General Meeting to vote on, inter alia, the Proposed Transaction
NSR	Net smelter return
Option or Options	Unlisted options to acquire Shares with varying vesting conditions
Project	Thaduna / Green Dragon Copper Project
Proposed Transaction	Demerger of the Company's wholly owned subsidiary, Delgare Pty Ltd
Report	This Independent Expert's Report prepared by RSM dated 25 October 2017
Resolution	The resolutions set out in the Notice
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RG 112	ASIC Regulatory Guide 112 Independence of Experts
Royalty	Royalty on copper production from the Thaduna Project
RSM	RSM Corporate Australia Pty Ltd
Sandfire	Sandfire Resources NL
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Share Consideration	Issue of Sandfire shares to Ventnor or its nominee to a value of \$1,700,500
Share or Ventnor Share	Ordinary fully paid share in the capital of the Company

<b>Shareholder</b>	A holder of Share
<b>Thaduna Project</b>	Thaduna / Green Dragon Copper Project
<b>Ventnor</b>	Ventnor Resources Limited or the Company

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## D. VALUATION OF DELGARE PTY LTD



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16 October 2017

The Directors  
Ventnor Resources Limited  
6 Thelma Street  
WEST PERTH WA 6005

Dear Sirs

## **VALUATION OF DELGARE PTY LTD**

### **1. Introduction and Scope of Valuation**

RSM Corporate Australia Pty Ltd ("RSM") has been engaged by Ventnor Resources Limited ("Ventnor") to provide a valuation report on Delgare Pty Ltd ("Delgare" or "the Company") following the proposed demerger of Delgare from Ventnor.

We understand that this valuation is required for taxation purposes and may be provided to the Australian Taxation Office.

This assignment is an Indicative Valuation Engagement as defined by APES 225 Valuation Services. When performing an Indicative Valuation engagement under APES 225 we are required to state and hereby state that if a Valuation Engagement had been performed rather than an Indicative Valuation Engagement then the results may have been different.

We performed our valuation in accordance with:

- The requirements of APES 225 Valuation Services; and
- The terms of our engagement letter dated 29 August 2017

This valuation is an independent valuation and our fee is not contingent on the conclusion, content or future use of the valuation report.

### **2. Summary and Valuation Opinion**

- 2.1 We have determined that the valuation of Delgare is \$100,000.
- 2.2 Our assessed value has been determined using the net asset valuation methodology, based on Delgare's net asset position following the demerger.
- 2.3 This valuation was assessed as at 16 October 2017 ("Date of Valuation").
- 2.4 Our assessment of value is based on fair market value, defined as follows:
- "The estimated amount for which an asset should exchange 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 each acted knowledgeably, prudently and without compulsion."*
- 2.5 We have valued the shares in Delgare on a controlling basis.
- 2.6 We understand that this valuation is required for tax purposes and may be provided to the Australian Taxation Office

### 3. Background of Delgare Pty Ltd

- 3.1 Delgare was incorporated in 2009 and is based in Perth, Western Australia. Delgare operates as a subsidiary of Ventnor Resources Limited ("Ventnor") with its only material asset apart from cash being entitlements to the DTM payment and Royalty from Thaduna / Green Dragon Copper Project ("Thaduna Project").

#### Thaduna Project

- 3.2 The Thaduna Project is located 40km east of DeGrussa and represents the largest copper resource in the Doolgunna-Bryah Basin Region outside of Sandfire's DeGrussa-Doolgunna Project (7.9Mt @ 1.8% Cu for 142,000 tonnes of contained copper as at 15 September 2017). Prior to 22 August 2016, Sandfire Resources NL ("Sandfire") owned a 35% interest in the Project and had entered into a farm-in agreement with Ventnor to earn a further 45% (for a total of 80%).
- 3.3 Ventnor announced on 22 August 2016 that Ventnor, Delgare and Sandfire had executed agreements for Sandfire to acquire 100% ownership of the Project with Ventnor to maintain a royalty interest. Sandfire acquired the remaining 65% of the Thaduna Project on 23 August 2016 for the following consideration:
- the issue of Sandfire shares to Ventnor or its nominee to a value of \$1,700,000 ("Share Consideration");
  - A deferred cash payment of \$950,000 if Sandfire proceeds with a decision to mine from the Project ("DTM Payment"); and
  - a royalty on copper production from the Thaduna Project ("Royalty").
- (together, the "Consideration")
- 3.4 The Royalty comprises a 2.0% net smelter return ("NSR") payable up to 90,000 tonnes of recovered copper production and an ongoing NSR of 1.0% on further production. Of the NSR 0.2% and 0.1% respectively is payable to LinQ Corporate Pty Ltd until the aggregate payments to LinQ equal \$1.6 million (after which time Delgare will receive the entirety of the NSR).
- 3.5 The initial share consideration has been paid and the DTM Payment and Royalty remains to Delgare.
- 3.6 At 30 June 2016, the value of the Thaduna Project was impaired in the Audited Financial Statements of Ventnor by approximately \$9.4 million to \$1.7 million being the fair value of the proceeds less costs to sell. At 30 June 2017 Delgare's continuing interest in Thaduna comprising the DTM Project and royalty was fully impaired to \$nil in the audited financial statements of Ventnor.
- 3.7 We understand from Delgare management that Sandfire has undertaken limited further exploration work on the Thaduna Project since acquiring the 100% interest in August 2016. We note that in Sandfire's recent corporate presentation (released on 7 September 2017). Thaduna is mentioned as a project for which development pathways are under evaluation.

#### Directors and management

- 3.8 The current directors of Delgare are Mr Paul Boyatzis, Mr Bruce Maluish and Mr Peter Pawlowitsch, all of whom are the directors of Ventnor. Mr John Geary is company secretary. Biographies for all three directors are set out at paragraph 5.20.
- 3.9 None of these parties will receive any remuneration from Delgare in their roles as Delgare officers.

#### Capital Structure

- 3.10 The current capital structure of Delgare is 100 fully paid ordinary shares and no other securities.

- 3.11 Prior to the capital reduction and In Specie Distribution, Delgare will undertake a share split to procure that it has the same number of shares on issue as Ventnor in order to facilitate a one for one pro rata distribution in specie of the Delgare shares to Ventnor shareholders.

### **Financial performance**

- 3.12 Delgare currently has no material revenue nor expenses. Operating costs for Delgare following the demerger from the Ventnor group are estimated by the Company to be in the region of \$15,000 per annum.
- 3.13 Revenue (if any) is not determinable at this point in time.

### **Financial position**

- 3.14 Delgare currently has assets in the form of cash reserves of \$100,000 and no liabilities.

## **4. Industry Background**

### **Industry overview - Mineral Exploration in Australia**

#### *Current performance*

- 4.1 According to IBISWorld, Industry revenue has substantially declined over the past five years, albeit from historically high levels prior to 2012-13. A combination of global oversupply of some commodities, weak global growth and slowing global demand have substantially diminished the need for industry services. Overall, diminished commodity prices have undermined the viability of mineral exploration. In particular, there have been extensive declines in spending on iron ore, coal, copper, nickel, lead and zinc exploration. This trend is expected to carry over into the current year, with industry revenue set to fall by 7.2% in 2017-18. Exploration firms are likely to benefit from further depreciation of the Australian dollar in 2017-18, as the weaker dollar enables miners to earn more revenue in Australian dollar terms for commodity sales. This trend may increase the revenue of major miners and enable increased exploration funding. In addition, a moderate recovery in the world price of copper may also prompt new exploration projects. However, these beneficial trends are expected to be outweighed by ongoing declines in mining capital expenditure, the world price of gold, and the world price of iron ore.
- 4.2 Overcapacity has emerged in key downstream industries over the past five years, particularly in the Iron Ore Mining industry and the Black Coal Mining industry. This trend, coupled with weaker demand, has caused many commodity prices to fall significantly over the past five years. As a result, industry operators that performed large-scale explorations in previous years have shifted to production. This shift has also caused many established miners to focus on cost minimisation at existing mine sites. Many have cut or reduced exploration budgets, which are considered extraneous in the presence of overcapacity. These trends have also meant that junior miners have struggled to find the equity funding required to conduct mineral exploration.
- 4.3 The industry operates with zero profitability because the returns from exploration activities are realised further down the mining development chain. For returns to be realised, either the right to develop resources or the mineral output itself needs to be sold. This process involves significant injections of capital, and in the case of junior miners, often the acquisition of their exploratory company by an established miner. Return in this case flows to junior miners in terms of a capital gain on their equity stake. For established miners, return lags behind exploration expenditure considerably. On average, it can take between five to ten years for a successful exploration to be developed into an operating mine. Most firms have reduced their spending on exploration activities over the past five years, which has caused the number of mineral deposit discoveries to decline. This has consequently reduced the return on investment for many industry players.
- 4.4 As a result, industry revenue is expected to fall at an annualised 15.3% over the five years through 2017-18, to \$1.4 billion.

### *Industry participants*

- 4.5 The recent declines in spending on exploration have driven many operators out of the industry. As a result, both enterprise and establishment numbers have declined over the past five years. However, patterns of spending on mineral exploration do not necessarily cause similar changes in industry operator numbers. Enterprises and establishments numbers have declined at a much slower rate than industry revenue over the past five years, indicating that many firms are choosing to weather the cycle and stay active in the industry.
- 4.6 For specialised firms that solely undertake exploration activities, the capital intensity and knowledge required to operate in the industry act as barriers to entry and exit. In particular, the operators of small exploration companies are often tied through equity stakes to their businesses. Employment numbers have also rapidly declined over the past five years. This rapid decline is partly due to a reduction in the total number of metres drilled during mineral exploration activities, from 10,188.3 kilometres over the year through March 2012, to well below 7,000 kilometres per annum over the three years through March 2016. The total number of metres drilled has marginally recovered to 7,025.3 kilometres over the year through March 2017 (latest available data). As total drilling activity has remained below previous highs, industry firms have downsized their labour forces to minimise unnecessary expenses.

### *Industry Outlook*

- 4.7 The Mineral Exploration industry is expected to remain subdued over the next five years. Industry revenue is forecast to marginally grow at an annualised 0.4% over the five years through 2022-23, to reach \$1.4 billion. Rising commodity prices typically increase the incentive for firms to expand their exploration budgets. The world prices of copper, black coal, and iron ore are expected to increase over the next five years. As a result, industry revenue is set to improve as the appetite for exploration slowly increases.
- 4.8 However, exploration expenditure by major mining firms and junior miners is unlikely to return to the level it reached during the height of Australia's mining boom. Although commodity prices are expected to increase over the next five years, growth in exploration is anticipated to be marginal as firms focus on production at existing mine sites. Uncertainty among investors and lower rates of mineral discovery are also likely to constrain growth.

## 5. Valuation Approach

### Basis of Valuation

- 5.1 The valuation of the Company has been prepared on the basis of Fair Market Value being the estimated amount for which an asset should exchange 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 each acted knowledgeably, prudently and without compulsion.

### Valuation methodologies

- 5.2 In assessing the Fair Market Value of the Company immediately following the Proposed Transaction, we have considered a range of valuation methodologies. Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 ("RG 111") Content of Expert Reports proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

- 5.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

#### *Market based methods*

- 5.4 Market based methods estimate the Fair Market Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- The quoted price for listed securities;
- Any recent genuine offers received;
- Capitalisation of maintainable earnings; and
- Industry specific methods.

- 5.5 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

- 5.6 Recent genuine offers providing evident of the fair market value or an asset or security.

- 5.7 The capitalisation of earnings methodology is where an estimation of the Future Maintainable Earnings ("FME") of the business is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

- 5.8 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

#### *Income based methods*

- 5.9 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. DCF methods are an example of an income based method.
- 5.10 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

#### *Asset based methods*

- 5.11 Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
  - liquidation of assets method; and
  - net assets on a going concern basis.
- 5.12 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 5.13 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.
- 5.14 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

#### **Selection of Valuation Methodologies**

- 5.15 In assessing the value of the Company we have adopted the net assets on a going concern methodology.
- 5.16 The capitalisation of earnings methodology is not appropriate in this instance as the Company does not have a history of earnings.
- 5.17 We have considered genuine offers methodology in our assessment of the value of the DTM and royalty.

## 6. Valuation of Delgare Pty Ltd

- 6.1 As stated at paragraph 5.15 we have assessed the value of Delgare on the basis of net assets on a going concern basis.

**Table 1 Assessed Fair Value of Delgare**

\$	Ref	Low	High
Cash		100,000	100,000
Interest in Thaduna Project	6.3	-	-
<b>Value of Delgare</b>		<b>100,000</b>	<b>100,000</b>

Source: RSM Analysis

- 6.2 As shown in the table above we have assessed the fair value of Delgare as \$100,000 represented by the cash on hand.
- 6.3 We have assessed the value of Delgare's continuing interest comprising the DTM payment and royalty in Thaduna at \$nil for the following reasons:-
- Delgare's continuing interest has been fully impaired in both the 2016 and 2017 financial statements;
  - We have sighted copies of Delgare's attempts to sell the royalty and there have been no genuine offers received; and
  - We have reviewed the Company's potential revenue model based on Sandfire going into production. As stated in paragraph 3.7, Sandfire in the recent corporate presentation (released on 7 September 2017) stated that development pathways were under evaluation for the Thaduna Project. Accordingly, there is no certainty if or when the Thaduna Project will go into production. Therefore it is not possible to apply any discount other than 100% to the carrying value of Delgare's continuing interest in the Thaduna Project with any degree of confidence.



## A. DISCLAIMER AND CONSENTS

This report has been prepared at the request of Ventnor for taxation purposes.

Neither the whole of this report, nor any part thereof or any references thereto may be published in any document, statement or in any communication in any form or context with third parties without the prior written consent of RSM.

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In forming our valuation opinion and preparing this report, we have relied upon information supplied by Ventnor which we have assumed to be accurate and reliable.

We have not independently verified the correctness, existence or value of any item which is in, or should be in, such information. We do not have any reason to believe that any material facts have been withheld from us, nor do we warrant that our investigating has revealed all of the matters which an audit or more extensive examination might disclose.

The terms of this engagement are such that RSM has no obligation to update this report for events occurring subsequent to the date of this report.

## B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Annual General Meeting;
- Audited financial statements for Ventnor for the years ended 30 June 2017, 30 June 2016 and 30 June 2015;
- ASX announcements of Ventnor;
- S&P Capital IQ database;
- Sandfire Investor Presentation dated 7 September 2017; and
- Discussions with Directors of Delgare.

## C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian dollar
Act	Corporations Act 2001 (Cth)
APES 225	Accounting Professional & Ethical Standards Board (APES) Standard 225 – Valuation Services
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Company	Delgare Pty Ltd
Date of valuation	16 October 2017
Delgare	Delgare Pty Ltd or the Company
Directors	Directors of the Company
DTM Payment	Deferred cash payment of \$950,000 if Sandfire proceeds with a decision to mine
Fair Market Value	The estimated amount for which an asset should exchange 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 each acted knowledgeably, prudently and without compulsion
FME	Future Maintainable Earnings
NSR	Net Smelter Return
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RSM	RSM Corporate Australia Pty Ltd
Sandfire	Sandfire Resources NL
Share consideration	Issue of Sandfire shares to Ventnor or its nominee for a value of \$1,700,000
Shareholder	A holder of Share
Thaduna Project	Thaduna / Green Dragon Copper Project
Ventnor	Ventnor Resources Limited or the Company
VWAP	Volume weighted average share price

## D. QUALIFICATIONS



## ANDY GILMOUR

### DIRECTOR, CORPORATE FINANCE

#### Biography

Andy is a Director of the Corporate Finance division in Perth and the National Head of Aged Care. He has over 30 years' experience as a chartered accountant and business adviser. He has had exposure to a diverse range of industries from financial services to mining and of varying size from small family entities to large multinational corporations.

Andy was admitted as a partner of RSM in 1994.

Andy Gilmour is a Partner of RSM Australia Partners and a Director of RSM Australia Pty Ltd.

#### Solutions

Andy has specific expertise in:

- Capital Market support and IPOs;
- Expert reports;
- Feasibility studies and financial forecasting;
- Litigation Support;
- Mergers and acquisitions;
- Transactions support & due diligence; and
- Valuations.

#### Significant Projects

- Completion of numerous independent expert reports in relation to ASX listed entity transactions including takeovers, schemes of arrangements and related party transactions.
- Preparation of Investigating Accountants Report for inclusion in Prospectus accompanying entity listings on the Australian Stock Exchange.
- Valuations of businesses, shares and other equity for the purpose of divestment, acquisition, commercial disputes, taxation requirements, borrowing requirements and internal management information.

- Financial due diligence on behalf of both vendors and potential purchasers.
- Expert evidence in relation to legal proceedings.
- Preparation of complex financial models to assist in project and investment appraisal and cash flow and working capital financial management.

#### Board and Committee Positions

- Director & Chairman of audit committee of Central Desert Native Title Services.
- West Australian representative of the Business Valuations special interest group of the Chartered Accountants Australia and New Zealand.



#### Associations

- Fellow, Chartered Accountants Australia and New Zealand (CAANZ) – Admitted 1987

#### Qualifications

- Business Valuation Specialist, Chartered Accountants Australia and New Zealand
- Academic Qualifications: Bachelor of Arts - Honours (Aberystwyth University, College of Wales)

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www.rsm.com.au

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## PROXY FORM

The Secretary  
Ventnor Resources Limited  
Level 1, 6 Thelma Street  
West Perth WA 6005

[Name/Address 1]  
[Name/Address 2]  
[Name/Address 3]  
[Name/Address 4]  
[Name/Address 5]

[Barcode]

being a member(s) of Ventnor Resources Limited, hereby appoint as my/our proxy

of \_\_\_\_\_

or, failing him/her the Chairperson of the Meeting to attend and vote for me/us at the Annual General Meeting of the Company to be held at 12.00 noon (WST) on 30 November 2017 and at an adjournment thereof in respect of \_\_\_\_\_% of my/our shares or, failing any number being specified, ALL of my/our shares in the Company.

RESOLUTIONS	FOR	AGAINST	ABSTAIN
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director – P Boyatzis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Employee Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Grant of Options to P Boyatzis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Grant of Options to B Maluish	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Grant of Options to P Pawlowitsch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Grant of Options to J Geary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Equal Reduction of Capital and In-Specie Distribution of Delgare Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Amendment of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted computing the required majority on a poll.

***Where permitted, the Chairman intends to vote all undirected proxies in favour of all resolutions.***

**If the member is an individual or joint holder:**

\_\_\_\_\_  
Usual Signature

\_\_\_\_\_  
Usual Signature

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

**If the member is a Company:**

Signed in accordance with the Constitution of the company  
in the presence of:

\_\_\_\_\_  
Director/Sole Director

\_\_\_\_\_  
Director/Secretary

\_\_\_\_\_  
Sole Director and Sole Secretary

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

## INSTRUCTIONS FOR COMPLETING PROXY FORM

1. A member entitled to attend and vote is entitled to appoint not more than two proxies.
2. Where more than one proxy is appointed and that appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.
3. A proxy need not be a member of the Company.
4. If the member is a company it must execute under its Common Seal or otherwise in accordance with its Constitution.
5. **Important for Resolutions 1 and 4 to 8:**

The Company will disregard any votes cast on Resolutions 1 and 4 to 8 (in any capacity) by or on behalf of member of the Key Management Personnel (details of whose remuneration are included in the Remuneration Report) or a Closely Related Party of such a member (together "prohibited persons"). However, the Company will not disregard a vote if the prohibited person (who may or may not be the Chair of the Meeting) does so as your proxy appointed on this form and **you have specified how the proxy is to vote** on the proposed resolution (and you are not a prohibited person).

### LODGING YOUR PROXY FORM

To be valid, your proxy form (and any power of attorney under which it is signed) must be received at the address given below no later than 12.00 noon (WST) on 28 November 2017. Any proxy form received after that time will not be valid for the scheduled meeting.

In person: Ventnor Resources Limited  
Level 1  
6 Thelma Street  
West Perth WA 6005

By mail: Ventnor Resources Limited  
Level 1  
6 Thelma Street  
West Perth WA 6005

By fax: (08) 9226 3764