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**KALIA LIMITED**

**ACN 118 758 946**

**NOTICE OF EXTRAORDINARY GENERAL MEETING AND  
EXPLANATORY MEMORANDUM**

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Notice is given that the Meeting will be held at:

**TIME: 10h30 (WST)**

**DATE: 11 May 2018**

**PLACE: HLB Mann Judd, Level 4, 130 Stirling Street, Perth, Western Australia**

*The business of the Meeting affects your shareholding and your vote is important.*

*This Notice of Meeting, the Explanatory Statement and accompanying Independent Expert's Report (which considers the transaction the subject of Resolution 1 to be NOT FAIR BUT REASONABLE, and the transaction the subject of Resolution 2 to be FAIR AND REASONABLE, to non-associated Shareholders) should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10h30 (WST) on 9 May 2018.*

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – APPROVAL OF ISSUE OF SHARES TO GLOBAL RESOURCES INVESTMENT TRUST PLC

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

*"That, for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for:*

- (a) Global Resources Investment Trust PLC (**GRIT**) to acquire a relevant interest in up to 535,150,000 Shares, comprising 480,000,000 Shares (**New Shares**) to be issued to GRIT (or its nominee) by the Company and 55,150,000 Shares currently held by GRIT, which will result in the relevant interest and voting power of GRIT (or its nominee) in the Company increasing from 2.71% to 21.28%; and
- (b) each of Mardasa Nominees Pty Ltd (**Mardasa**) and Peter Yunghanns, through their respective deemed relevant interests in Shares, to acquire a relevant interest in up to 545,150,000 Shares, comprising 480,000,000 Shares (**New Shares**) to be issued to GRIT (or its nominee) by the Company, 55,150,000 Shares currently held by GRIT and 10,000,000 Shares currently held by Mardasa, which will result in the relevant interests and voting power of Mardasa and Peter Yunghanns in the Company increasing from 3.20% to 21.68%,

*on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** No votes may be cast in favour of this Resolution by:

- (a) the person proposing to make the acquisition and their associates; or
- (b) the persons (if any) from whom the acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by Global Resources Investment Trust PLC, Mardasa and Peter Yunghanns and any of their associates.

#### EXPERT'S REPORT

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company. The Independent Expert considers the transaction the subject of this Resolution to be **NOT FAIR BUT REASONABLE** to the non-associated Shareholders in the Company.

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#### 2. RESOLUTION 2 – GRANT OF SECURITY INTEREST TO TYGOLA PTY LTD AND PETER YUNGHANNS

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

*"That, for the purposes of Listing Rule 10.1 and for all other purposes, approval is given for the Company to grant the Security Interest over its assets and undertaking in favour of Tygola Pty Ltd and Peter Yunghanns on the terms set out in the Explanatory Memorandum."*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Tygola Pty Ltd (and its nominee) and Peter Yunghanns or any of their associates. However, the Company need 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.

## EXPERT'S REPORT

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this resolution to the non-associated Shareholders in the Company. The Independent Expert considers the transaction the subject of this Resolution to be **FAIR AND REASONABLE** to the non-associated Shareholders in the Company.

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### 3. RESOLUTION 3 – ELECTION OF TECHNICAL DIRECTOR – MR PETER BATTEN

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

*"That, for the purpose of clause 7.2(c) of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Peter Batten, a Director who was appointed casually on 9 January 2018, retires, and being eligible, is elected as a Technical Director."*

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### 4. RESOLUTION 4 – ISSUE OF OPTIONS TO RELATED PARTY

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

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue a total of 100,000,000 Related Party Options to Mr Terrence Larkan (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Terrence Larkan (or his nominee) or any of their associates. However, the Company need 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 Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
    - (i) a member of the Key Management Personnel; or
    - (ii) a Closely Related Party of such a member; and
  - (b) the appointment does not specify the way the proxy is to vote on this Resolution.
- However, the above prohibition does not apply if:
- (a) the proxy is the Chair; and
  - (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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### 5. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE – SHARES

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

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 80,000,000 Shares on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need 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.

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**Dated: 11 April 2018**

**By order of the Board**

**Phillip Hartog  
Company Secretary**

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**Voting in person**

To vote in person, attend the Meeting at the time, date and place set out above.

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**Voting by proxy**

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6555 0322.***

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## LETTER TO SHAREHOLDERS

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Dear Shareholders

Your Board and management are all fellow Shareholders and are unanimous in recommending that the Shareholders vote in favour of Resolutions 1 and 2 to enable the proposed transaction with Global Resource Investment Trust plc (**GRIT**) to proceed.

The transaction with GRIT consolidates 100% of the non-landowner interests of Exploration Licences 03/2017 and 04/2017 at the Tore Project in Bougainville, Papua New Guinea, increasing our participation in any discovery from 54.2% to 75% and resulting in an increased level of participation of more than 10% for each Share in any discovery after factoring the dilution impact of the transaction. The dilutionary impact of Resolution 1 is set out further in Section 1.

The successful passing of Resolutions 1 and 2 will provide access to a secured loan facility of \$3 million to fund exploration activities designed to identify drilling targets in our highly prospective licence areas within 2018. Further information in relation to the loan facility is provided in Sections 1.4 and 2.

Additional benefits will accrue through a simplified structure when addressing the pragmatic aspects of financing, community awareness, government relations as well as the execution of operations on the ground.

To date your Company has successfully applied for and been granted two exploration licences in Bougainville, reached a formal land access and compensation agreement with the landowners and signed a shareholder agreement with the landowner organisation to incorporate our joint venture. No other Company has achieved these milestones!

The proposed GRIT transaction:

- dilutes shareholders by 19.09%;
- increases the Company's interest in the licence areas by 38%;
- increases the participation at the project level by 11.985% per Share after dilution; and
- provides access to funding for value accretive exploration through the secured loan.

The clarification of the Company corporate structure and access to funds puts Kalia in the position to deliver geological results from our highly prospective licences to add value to the Company and underpins future development.

**KALIA'S BOARD RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" RESOLUTIONS 1 AND 2 ON THE PROXY CARD OR APPOINT THE CHAIR OF THE MEETING AS THEIR PROXY BEFORE 10h30 (WST) on 9 MAY 2018.**

Yours faithfully

Terry Larkan  
Managing Director

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. RESOLUTION 1 – APPROVAL OF ISSUE OF SHARES TO GLOBAL RESOURCES INVESTMENT TRUST PLC

#### 1.1 Background

As Shareholders will be aware, on 18 September 2017, the Company announced that it had exercised its option to acquire a 72.29% interest in Kalia Holdings Pty Ltd (ACN 110 808 172) (**Kalia Holdings**), as previously approved by Shareholders. Kalia Holdings is the owner of the Company's interest in the Tore Project located in the Tinputz district of North Bougainville, Papua New Guinea.

The consideration payable by the Company for its interest in Kalia Holdings was satisfied through the issue of 722,891,566 Shares, which were issued to all but one of the previous shareholders of Kalia Holdings in proportion with their respective shareholdings.

The remaining shareholder of Kalia Holdings is Global Resources Investments Trust PLC (**GRIT**), and the Company has been in negotiations to acquire its remaining interest in Kalia Holdings.

On 20 March 2018, the Company entered into a share sale agreement (**Share Sale Agreement** or **SSA**) with Global Resources Investment Trust PLC and Kalia Holdings pursuant to which the Company has agreed to acquire, subject to Shareholder approval, GRIT's 27.71% shareholding in Kalia Holdings (**Proposed GRIT Transaction**).

Upon completion of the Proposed GRIT Transaction Kalia Holdings will become a wholly owned subsidiary of the Company.

The consideration payable to GRIT for its shareholding in Kalia Holdings will be satisfied through the issue of 480,000,000 New Shares. The key terms of the Share Sale Agreement and accompanying agreements documenting the proposed issue and transfer of Shares to GRIT under the Proposed GRIT Transaction are set out in further detail in Section 1.2.

The Proposed GRIT Transaction will, upon completion, result in:

- (a) GRIT acquiring a relevant interest in up to 21.28% of the total Shares on issue;
- (b) Mardasa Nominees Pty Ltd (**Mardasa**), a current Shareholder and also major shareholder of GRIT (holding 29.93% of GRIT's issued capital), acquiring a deemed relevant interest of up to 21.68% of the total Shares on issue; and
- (c) Peter Yunghanns, as the sole controller of Mardasa, acquiring a deemed relevant interest of up to 21.68% of the total Shares on issue.

Accordingly, the approval of Shareholders is being sought at the forthcoming Meeting to enable GRIT, Mardasa and Peter Yunghanns to acquire a relevant interest in Shares which exceeds 20% of the total Shares on issue pursuant to section 611 (item 7) of the Corporations Act.

The 480,000,000 New Shares will be subject a 12-month restriction period commencing on the date of issue, in accordance with clause 6 of Appendix 9B of the ASX Listing Rules.

In addition to the SSA, on 29 March 2018, the Company and GRIT entered into a Strategic Relationship Deed in respect of GRIT's investment in the Company, which is summarised in more detail below.

## 1.2 Key terms of Share Sale Agreement

The key terms of the Share Sale Agreement are as follows:

- (a) **Condition precedent:** The transfer and issue of the securities under the Share Sale Agreement is not binding on the parties until GRIT, the Company and Kalia Holdings have obtained all necessary shareholder and regulatory approvals required to give effect to the Proposed GRIT Transaction.
- (b) **Consideration:** In consideration for the sale of the 92,000,000 shares in the capital of Kalia Holdings to the Company the Company has agreed to issue 480,000,000 Shares (**New Shares**) to GRIT (or its nominee).
- (c) **Board Representative:** Upon completion of the transfer and issue of the securities under the SSA, GRIT is entitled to nominate a Board representative to be appointed to the Board as a non-executive Director of the Company.
- (d) **Future Capital Raising:** Subject to the Company obtaining a waiver of ASX Listing Rules 6.18 and any necessary Shareholder approvals, GRIT has the right to maintain its interest in the capital of the Company, as at the date immediately prior to a future capital raising, by subscribing for Shares on the same terms as those attaching to the future capital raising.
- (e) **Representations and warranties:** The SSA contains representations and warranties by each of the Company and GRIT which are standard for an agreement of this nature.

## 1.3 Key terms of the Strategic Relationship Deed

The key terms of the Strategic Relationship Deed are as follows:

- (a) **(Working Group):** The Company is required to form a working group of appropriate qualified persons, responsible for (among other things) reviewing the overall progress of the Tore project, which is to include at least one subject matter expert from GRIT.
- (b) **(Advisory Support):** GRIT will provide to the Company the benefit of the experience of its employees by providing;
  - (i) assistance and advice in relation to the Tore project;
  - (ii) introduction to the Company of potential investors, financiers, contractors, suppliers and other service providers (including logistics, marketing support and offtake services); and
  - (iii) support in relation to corporate services (including bookkeeping, finance and accounting and development of policies and procedures).
- (c) **(Participation Right)** Subject to receipt of a waiver of ASX Listing Rule 6.18 (which has now been obtained), and any required shareholder approval, GRIT will have a participation right to maintain its interest in the Company on the same terms as the SSA, as provided at section 1.2(d) above.

The Strategic Relationship Deed is otherwise made on terms and conditions considered standard for an agreement of this nature.

## 1.4 Approval to grant security to Tygola Pty Ltd and Peter Yunghanns

Subject to Shareholders approving Resolution 1, upon completion of the Share Sale Agreement the Company will gain access to a \$3,000,000 loan facility, the terms of which are summarised in Section 2.1. The loan is to be provided by Tygola Pty Ltd. The loan will be secured by a first ranking security over the assets and undertaking of the Company in favour of Tygola, the terms of which are summarised in Section 2.2 (**Security Interest**).

Resolution 2 seeks Shareholder approval for the grant of the Security Interest in favour of Tygola (and, indirectly as Tygola's sole controller, Peter Yunghanns) for the purposes of ASX Listing Rule 10.1, which restricts an entity from disposing of a substantial asset to a substantial holder, or an associate of a substantial holder, without the approval of the entity's security holders. ASX deems the granting of a security interest over the assets and undertaking of an entity to be a "disposal" for the purposes of ASX Listing Rule 10.1.

Tygola is an associate of Mardasa (as both entities are solely controlled by Peter Yunghanns) and, upon completion of the Proposed GRIT Transaction, both Mardasa and Peter Yunghanns, through his ownership of Mardasa, will be deemed to be substantial holders of the Company by virtue of Mardasa's 29.93% shareholding in GRIT and associated deemed relevant interest in GRIT's Shares.

Given Peter Yunghanns is the sole controller of Tygola and will indirectly receive the benefit of the Security Interest as Tygola's sole owner, Mr Yunghanns has also been included in the approval sought under Resolution 2.

Refer to Section 2 of the Explanatory Memorandum for further information.

## 1.5 General

Resolution 1 seeks Shareholder approval for the purpose of Item 7 of Section 611 of the Corporations Act to enable GRIT (or its nominee), Mardasa Nominees Pty Ltd and Peter Yunghanns (**Acquiring Parties**) to acquire a relevant interest in up to 535,150,000 Shares (the **Acquisition**), and the resulting increase in each Acquiring Parties' voting power in the Company increasing from:

- (a) in the case of GRIT, 2.71% to 21.28%;
- (b) in the case of Mardasa, 3.20% to 21.68%; and
- (c) in the case of Peter Yunghanns, from 3.20% to 21.68%.

As at the date of this Notice of Meeting, Mardasa holds 10,000,000 Shares (equating to a 3.20% shareholding interest in the Company), and is also a major shareholder of GRIT, having a 29.93% interest in the total shares on issue in the capital of GRIT.

As noted in paragraph 1.6(e) below, pursuant to section 608(3) of the Corporations Act, a person also has a relevant interest in any securities held by a body corporate in which the person's voting power is above 20%.

By virtue of Mardasa's shareholding in GRIT, Mardasa is deemed to have the same relevant interests in Shares as GRIT. As such, Mardasa has a deemed relevant interest in the Shares held by GRIT as at the date of this Notice of Meeting (being 55,150,000 Shares equating to 2.71% of the total Shares on issue), and, assuming Resolution 1 is approved by Shareholders, will also acquire a relevant interest in the Shares acquired by GRIT under the Share Sale Agreement.

Peter Yunghanns is the sole controller of Mardasa. As such, Peter Yunghanns is also deemed to have the same relevant interests in securities as Mardasa and will be included in the approval sought under Resolution 1.

Pursuant to ASX Listing Rule 7.2 (Exception 16), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 1, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.



## 1.6 Item 7 of Section 611 of the Corporations Act

### (a) Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%,

**(Prohibition).**

### (b) Voting Power

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

### (c) GRIT's entitlements in the Company

GRIT currently holds 55,150,000 Shares in the capital of the Company, being an interest of 2.71%.

Following the issue of New Shares, GRIT's shareholding and resulting voting power in the Company, will be as follows:

| Shares      | Options | Voting Power |
|-------------|---------|--------------|
| 535,150,000 | Nil     | 21.28%       |

### (d) Associates

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
  - (A) a body corporate the first person controls;
  - (B) a body corporate that controls the first person; or
  - (C) a body corporate that is controlled by an entity that controls the person;
- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example, where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

(e) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%;
- (ii) a body corporate that the person controls.

(f) **Associates of GRIT**

Mardasa, a company deemed to have a relevant interest in the same Shares as GRIT by virtue of its 29.93% shareholding in GRIT, currently holds 10,000,000 Shares in the capital of the Company, being an interest of 0.49%. Mardasa also holds a deemed relevant interest in the 55,150,000 Shares currently held by GRIT as noted in Section 1.5 (being a deemed relevant interest of 2.71%). As a result, Mardasa currently has an aggregate relevant interest of 3.20%.

Peter Yunghanns does not currently have a direct shareholding in the capital of the Company, but also has a deemed relevant interest of 3.20% by virtue of being the sole controller of Mardasa.

Following the issue of New Shares, each Acquiring Party's relevant interest and resulting voting power in the Company, will be as follows:

| Acquiring Party | Shares      | Performance Shares | Options | Voting Power        |
|-----------------|-------------|--------------------|---------|---------------------|
| Mardasa         | 545,150,000 | Nil                | Nil     | 21.68% <sup>1</sup> |
| Peter Yunghanns | 545,150,000 | Nil                | Nil     | 21.68% <sup>2</sup> |

**Notes:**

- 1. Mardasa will have a direct shareholding interest in 10,000,000 Shares and a deemed relevant interest in the 535,150,000 Shares held by GRIT pursuant to section 608(3)(a) of the Corporations Act.
- 2. Peter Yunghanns will have a deemed relevant interest in the 545,150,000 Shares held by Mardasa as its sole controller pursuant to section 608(3)(b) of the Corporations Act.

## 1.7 Reason Section 611 Approval is Required

Item 7 of section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Following the issue of the New Shares, GRIT will have a relevant interest in a total of 535,150,000 Shares, representing a 21.28% voting power in the Company and Mardasa, together with its controller Peter Yunghanns, will have a relevant interest in a total of 545,150,000 Shares, representing a 21.68% voting power in the Company. This assumes that no other Shares are issued, Options exercised, or Performance Shares are converted.

Accordingly, Resolution 1 seeks Shareholder approval for the purpose of section 611 (item 7) of the Corporations Act and all other purposes to enable the New Shares to be issued and the resulting increase to the Acquiring Parties' relevant interests in Shares.

## 1.8 **Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74**

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by BDO Corporate Finance Pty Ltd annexed to this Explanatory Statement.

### (a) **Identity of the Acquirer and its Associates**

It is proposed that GRIT will be issued the New Shares in accordance with the terms of the Share Sale Agreement as set out in Section 1.2 of this Explanatory Memorandum.

As noted above, given Mardasa has a 29.93% shareholding in GRIT as at the date of this Notice, it will be deemed, for the purposes of section 608(3) of the Corporations Act, to have acquired a relevant interest in GRIT's Shares upon completion of the Share Sale Agreement (assuming Shareholders approve this Resolution).

Both Mardasa and is controlled by Peter Yunghanns.

### (b) **Relevant Interest and Voting Power**

#### (i) **Relevant Interest**

The relevant interests of the Acquiring Parties in voting shares in the capital of the Company (both current, and following the issue of the New Shares to GRIT as contemplated by this Notice) are set out in the table below:

| Party                  | Capacity   | Relevant Interest as at the date of this Notice of Meeting | Relevant Interest after the issue of the New Shares |
|------------------------|--|--|---|
| <b>GRIT</b>            | Proposed Shareholder                                   | 55,150,000   | 535,150,000   |
| <b>Mardasa</b>         | Deemed relevant interest as 29.93% shareholder of GRIT | 65,150,000   | 545,150,000   |
| <b>Peter Yunghanns</b> | Deemed relevant interest as sole controller of Mardasa | 65,150,000   | 545,150,000   |

The Share Sale Agreement gives GRIT the right to nominate a fit and proper person to hold a non-executive directorship on the Board of the Company. The initial nomination and appointment of the director shall be supported by the existing Board of the Company and continued membership will be subject to the Constitution of the Company. Further information about GRIT's nominee is set out in paragraph 1.8(g) below.

(ii) **Voting Power**

The voting power of the Acquiring Parties (both current, and following the issue of the New Shares to GRIT as contemplated by this Notice) is set out in the table below:

| Party                  | Capacity   | Voting Power as at the date of this Notice of Meeting | Voting Power after issue of the New Shares |
|------------------------|--|---|--|
| <b>GRIT</b>            | Proposed Shareholder                                   | 2.71%   | 21.28%                                     |
| <b>Mardasa</b>         | Deemed relevant interest as 30% shareholder of GRIT    | 3.20%   | 21.68%                                     |
| <b>Peter Yunghanns</b> | Deemed relevant interest as sole controller of Mardasa | 3.20%   | 21.68%                                     |

Further details on the voting power of GRIT are set out in the Independent Expert's Report prepared by BDO Corporate Finance Pty Ltd.

(iii) **Summary of increases**

From the above tables it can be seen that:

- (A) The maximum relevant interest that GRIT will have a relevant interest in after completion of the issue of the New Shares is 535,150,000 Shares, and the maximum voting power that GRIT will have is 21.28%. This represents a maximum increase in voting power of 18.57% (being the difference between 2.71% and 21.28%).
- (B) The maximum relevant interest that Mardasa and Peter Yunghanns will have a relevant interest in after completion of the issue of the New Shares is 545,150,000 Shares, and the maximum voting power that Mardasa and Peter Yunghanns will have is 21.68%. This represents a maximum increase in voting power of 18.48% (being the difference between 3.20% and 21.68%).

(iv) **Assumptions**

Note that the following assumptions have been made in calculating the above:

- (A) The Company currently has 2,034,347,391 Shares on issue as at the date of this Notice of Meeting.
- (B) The Company does not issue any additional Shares.
- (C) None of the existing Options are exercised.
- (D) None of the existing Performance Shares are converted.
- (E) The Acquiring Parties do not acquire a relevant interest in any additional Shares other than the New Shares, in accordance with the Share Sale Agreement.

(c) **Reasons for the proposed issue and transfer of securities**

As set out in Section 1.1 of this Explanatory Statement, the reason for the issue of Shares to GRIT forms the consideration payable for the Company's acquisition of GRIT's interest in Kalia Holdings, as per the Share Sale Agreement. The terms of the Share Sale Agreement are summarised in Section 1.2.

(d) **Date of proposed issue and transfer of securities**

The New Shares will be issued at settlement of the Share Sale Agreement, which is expected to occur within 5 Business Days following receipt of Shareholder approval at the forthcoming Meeting.

(e) **Material terms of proposed issue and transfer of securities**

The Company is proposing to issue 480,000,000 New Shares at a deemed issue price of \$0.01 per Share, to GRIT in accordance with the Share Sale Agreement.

(f) **GRIT's Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that GRIT:

- (i) has no present intention of making any significant changes to the business of the Company;
- (ii) has no present intention to inject further capital into the Company (other than to exercise certain rights granted to it under the SSA to participate in future capital raisings undertaken by the Company, refer to Section 1.2(d) for further information);
- (iii) has no present intention regarding the future employment of the present employees of the Company;
- (iv) does not intend to redeploy any fixed assets of the Company;
- (v) does not intend to transfer any property between the Company and GRIT;
- (vi) has no intention to change the Company's existing policies in relation to financial matters or dividends; and
- (vii) intends to appoint a non-executive director to the Board as outlined in paragraph 1.8(g) below.

These intentions are based on information concerning the Company, its business and the business environment which is known to GRIT at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(g) **Identity, associations and qualifications of nominee director**

In accordance with the terms of the Share Sale Agreement, the Company will appoint a non-executive director, nominated by GRIT, to the Board of the Company. The initial nomination and appointment of the director shall be supported by the existing Board of Directors of the Company and continued membership will be subject to the Constitution of the Company.

The appointment will be made as soon as practicable following settlement under the Share Sale Agreement.

(h) **Interests and Recommendations of Directors**

- (i) None of the current Board members have a material personal interest in the outcome of Resolution 1.

- (ii) All of the Directors are of the opinion that the Share Sale Agreement is in the best interests of Shareholders. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 1. The Director's recommendations are based on consideration of the advantages and disadvantages outlined in sections 1.9 and 1.10 below.
- (iii) The Directors are not aware of any other information other than as set out in this Notice of Meeting 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 Resolution 1.

(i) **Capital Structure**

The Company's current capital structure and the possible capital structure on completion of the Acquisition.

|   | <b>Shares</b> | <b>Options</b> | <b>Performance Shares</b> |
|---|---------------|----------------|---------------------------|
| Securities on issue at the date of this Notice                    | 2,034,347,391 | 294,500,000    | 750,000,000               |
| Balance after issue of New Shares in accordance with Resolution 1 | 2,514,347,391 | 394,500,000    | 750,000,000               |
| Balance after issue of Options in accordance with Resolution 4    | 2,034,347,391 | 394,500,000    | 750,000,000               |

**Assumptions:**

- The issue of 480,000,000 Shares to GRIT pursuant to Resolution 1 is approved by Shareholders.
- The issue of 100,000,000 Options to Terrence Larkan pursuant to Resolution 4 is approved by Shareholders.
- No additional Shares are issued by the Company.
- None of the existing Options or performance shares expire, convert or vest.

**1.9 Advantages of the Acquisition – Resolution 1**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 1:

- (a) Upon settlement of the Proposed GRIT Transaction, the Company will have access to the \$3,000,000 loan facility to be provided by Tygola to continue operating.
- (b) The issue of the New Shares to GRIT, will facilitate the acquisition of a 100% interest in Kalia Holdings, which will, as a result, increase the Company's interests in the Tore Project to 75%.
- (c) Consolidating the ownership of Kalia Holdings will result in more efficient administration and management and result in project finance being easier to obtain and less complex to negotiate.
- (d) The Acquisition will provide the Company with time to undertake exploration which, if positive, may enhance the value of the Company and as a consequence will reduce the possibility of Kalia having to pursue future capital raisings at a lower price per Share.
- (e) GRIT is a strong shareholder partner who will add value to the Company's strategic goals and provide access to additional investor markets and appropriate levels of funding with the core objective to support activities increasing Shareholder value.
- (f) As a result of the GRIT Transaction GRIT will have representation on the Kalia Board providing additional expertise and experience to develop Kalia's projects.

- (g) The issue of New Shares to GRIT will complete the Company's obligations under the Share Sale Agreement, and will finalise the lengthy negotiations that have occurred on the matter.
- (h) BDO Corporate Finance Pty Ltd, as independent expert, has concluded that the issue of the New Shares is reasonable (although not fair) to the non-associated Shareholders.

#### **1.10 Disadvantages of the Acquisition – Resolution 1**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 1:

- (a) the issue of the New Shares to GRIT will increase the voting power of GRIT, Mardasa and Peter Yunghanns (in aggregate) from 3.20% to 21.68% and will reduce the voting power of non-associated Shareholders in aggregate from 96.8% to 78.32%.
- (b) BDO Corporate Finance Pty Ltd, as independent expert, has concluded that the issue of the New Shares is not fair (although reasonable) to the non-associated Shareholders.
- (c) there is no guarantee that the Company's Shares will not fall in value as a result of the Acquisition.

#### **1.11 Independent Expert's Report – Resolution 1**

The Independent Expert's Report prepared by BDO Corporate Finance Pty Ltd (a copy of which is attached as Schedule 2 to this Explanatory Statement) assesses whether the transaction contemplated by Resolution 1 is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transactions contemplated by Resolution 1 is not fair but is reasonable to the non-associated Shareholders of the Company.

The Independent Expert notes that the key advantages of the proposal raised in Resolution 1 to the Company and existing Shareholders are as follows:

- (a) as a result of the Proposed Transactions the Company will gain access to a \$3 million loan facility to continue operating (going concern issue);
- (b) more efficient administration and management from consolidating the ownership of the Tore Project;
- (c) project finance should be less complex to negotiate and more likely to be obtained with consolidated ownership;
- (d) reduces the possibility of future capital raisings being at a lower price per share;
- (e) additional expertise on the Kalia Board.

The key disadvantages noted by the Independent Expert are as follows:

- (a) dilution of existing Shareholders' interests; and
- (b) the Proposed GRIT Transaction is not fair.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

## **1.12 Technical information required by ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Directors to issue the New Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of the New Shares:

- (a) the number of New Shares to be issued is 480,000,000. Assuming no other Shares are issued, Options exercised, or Performance Shares converted, the number of Shares on issue would increase from 2,034,347,391 Shares to 2,514,347,391 Shares and the shareholding of existing Shareholders would be diluted by 19.09%;
- (b) the New Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue of the Shares will occur on the same day;
- (c) the deemed issue price of the New Shares will be \$0.01 per Share;
- (d) the New Shares will be issued to GRIT (or its nominee);
- (e) valuation of the New Shares is set out in the Independent Expert's Report accompanying this Notice;
- (f) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (g) no funds will be raised from this issue.

## **1.13 Pro forma balance sheet**

A pro forma balance sheet of the Company upon completion of the issue of New Shares (and other transactions the subject of this Notice) is set out in Schedule 3.



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## 2. RESOLUTION 2 – GRANT OF SECURITY INTEREST

The Independent Expert's Report prepared by BDO Corporate Finance Pty Ltd for the purpose of ASX Listing Rule 10.10.2 concludes that the proposal outlined in Resolution 2, whereby the Company's Shareholders may grant approval of the Security Interest over the company's assets in favour of Tygola, is FAIR AND REASONABLE to Shareholders not associated with Tygola, taking into account the factors noted below and in the Independent Expert's Report, attached as Schedule 2 to this Notice of Meeting.

As outlined above, Resolution 2 seeks Shareholder approval for the grant by the Company of a first ranking security (**Security Interest**) over all of its assets and undertaking (together, the **Collateral**), in favour of Tygola to secure repayment of \$3 million to be advanced to the Company by Tygola pursuant to a loan agreement entered into by the Company and Tygola on or around 10 April 2018 (**Loan Agreement**). The advancement of the loan is subject to Resolution 1 being approved by Shareholders.

The terms of the Loan Agreement are summarised in Section 2.1.

As a result of the granting of the Security Interest, in the event of default by the Company under the Loan Agreement, Tygola will have the right to:

- (a) do anything that the Company (or the Company's directors) could do in relation to the Collateral, including selling or otherwise dealing with the Collateral;
- (b) collect Company's trade debts or other accounts receivable; and
- (c) appoint a receiver in relation to the Collateral.

### 2.1 Key terms of Loan Agreement

As noted above, the Company has entered into the Loan Agreement with Tygola. The Loan Agreement is subject to the Company obtaining all necessary regulatory and Shareholder approval in relation to the provision of the loan facility and the Proposed GRIT Transaction. The material terms of the Loan Agreement are as follows:

- (a) **Loan amount:** The loan facility to be provided is for a maximum amount of \$3,000,000 (**Loan Amount**).
- (b) **Term:** The Loan Amount is repayable on or before 31 December 2018.
- (c) **Repayment:** The Loan Amount:
  - (i) may be repaid at the election of the Company in cash (in whole or part) at any time during the term; and
  - (ii) shall be repaid by the Company on or before 31 December 2018 (unless otherwise agreed by the Lender).
- (d) **Interest:** The Loan Amount will accrue interest which will be paid monthly in arrears at an interest rate of 10% per annum on the amount outstanding. If any interest is not paid when due (**Due Date**), interest will be payable at a higher rate of 14% for the period of time commencing on the Due Date and ending on the date on which the interest has been paid in full.
- (e) **Draw Down:** The Loan Amount may be drawn by the Company on an ongoing, and as and when required basis, by giving notice in writing to Tygola, provided that funds drawn which are then repaid cannot be re-drawn.
- (f) **Security:** The Loan Amount will be secured by a first ranking general security deed over all the assets and undertakings of the Company (the terms of which are summarised in Section 2.2 below).

- (g) **Facility fee:** The Company will pay Tygola a facility fee of 5% of the amount drawn down to be payable in cash at the time of each draw down.

## 2.2 Key terms of General Security Deed

The Company has entered into a general security deed (**GSD**) with Tygola pursuant to which the Company has granted the Security Interest in favour of Tygola over the Collateral in respect of the Loan Amount. The GSD is conditional upon the Company obtaining all necessary regulatory and Shareholder approvals in relation to the granting of the Security Interest and the Loan Agreement otherwise becoming unconditional.

The key terms of the GSD are as follows:

- (a) **Grant of Security Interest:** The Company grants a security interest to Tygola in all its present and after-acquired property, including:
- (i) its assets and undertakings and its unpaid capital;
  - (ii) anything in respect of which the Company has a sufficient right or interest to grant a security interest under the *Personal Properties Securities Act 2009* (Cth) or any other law; and
  - (iii) anything else in which the Company has a sufficient right to be able to grant a security interest.
- (b) **Priority:** Each security interest granted by the Company under the deed ranks in priority before any other security interest other than those mandatorily preferred by law and any permitted security that ranks in priority to it.
- (c) **Enforcement:** While an event of default subsists, Tygola or a controller has power to do anything in respect of the property subject to a security interest that an absolute beneficial legal owner of the property could do. To the extent permitted by law, at any time while an event of default subsists, Tygola may also (among other things) appoint any person or any two or more persons jointly or severally or both to be a receiver or receiver and manager of all or any of the Collateral.
- (d) **Application of money received:** At any time while an event of default is continuing, all money received by Tygola or its controller or attorney or any other person acting on their behalf may be appropriated and applied towards any amount and in any order that Tygola or its controller or attorney or that other person determines in its absolute discretion, to the extent not prohibited by law.
- (e) **Discharge:** At the Company's written request, Tygola must discharge the Security Interest created under the GSD if the secured money has been paid in full under the loan.

## 2.3 Listing Rule 10.1

Listing Rule 10 deals with transactions between an entity (or any of its subsidiaries) and persons in a position to influence the entity.

Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a "substantial asset" from, or dispose of a substantial asset to, any of the following persons without the approval of the entity's security holders:

- (a) a related party;
- (b) a subsidiary;
- (c) a "substantial holder", if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities;

- (d) an associate of a person referred to in (a) to (c) above; or
- (e) a person whose relationship to the entity is such that, in ASX's opinion, the transaction should be approved by security holders.

As noted in Section 1.5, upon completion of the Share Sale Agreement, Mardasa and Peter Yunghanns (through their deemed relevant interests in GRIT's Shares) will become substantial holders of the Company, having a relevant interest in 21.68% of the Shares on issue.

Peter Yunghanns is the sole director and controller of both Mardasa and Tygola. As such, in addition to both Mardasa and Tygola being associates by virtue of having a common controller, Peter Yunghanns is also deemed to have the same relevant interests in securities as Mardasa, being Mardasa's sole controller, as a result of the operation of section 608(3)(b) of the Corporations Act and fall within the list of persons specified in ASX Listing Rule 10.1 (and in particular, under paragraphs (c) and (d) above).

Under Listing Rule 10.2, an asset is "substantial" if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules.

Although the Company has not entered into any agreement to dispose of any of its assets under the Loan Agreement, ASX considers, for the purpose of the Listing Rules, that the grant of a security over the Company's assets amounts to a 'disposal' of its assets.

Shareholder approval is now being sought under Listing Rule 10.1 for the grant of the Security Interest in favour of Tygola (and, indirectly as its sole controller, Peter Yunghanns), for the purposes of paragraphs (c) and (d) above.

The passing of Resolution 2 is not subject to the passing of any other Resolution.

## **2.4 Independent Expert's Report**

The Independent Expert has been asked to prepare a report, for the purpose of ASX Listing Rule 10.10.2, on whether the granting of the Security Interest to Tygola is fair and reasonable. **The Independent Expert has concluded that the granting of the Security Interest is fair and reasonable to non-associated Shareholders.**

Shareholders are urged to consider the Independent Expert's Report in detail and if in doubt seek advice from their professional advisers prior to voting.

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### **3. RESOLUTION 3 – ELECTION OF TECHNICAL DIRECTOR – MR PETER BATTEN**

#### **3.1 General**

The Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Peter Batten, having been appointed by other Directors on 9 January 2018 in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

#### **3.2 Qualifications and other material directorships**

Mr Peter Batten is Kalia Limited's Technical Director. Mr Batten is a Geologist with 35 years of experience in the resources industry as a geologist, mine manager and consultant and has worked on nickel, gold, graphite, uranium and iron ore focused projects. Mr Batten has worked in Bougainville, projects across Australia as well as in Botswana, Brazil, Guinea, Iceland, India, Indonesia, Philippines, Myanmar, Namibia, New Zealand, South Africa, Sweden, USA and Zimbabwe.

Mr Batten has previously held director positions with listed companies; Berkeley Resources (ASX), Bannerman Resources (ASX; TSX; NSX), White Canyon Uranium (ASX; TSX-V), Walkabout Resources (ASX) and De Grey Mining (ASX).

#### **3.3 Independence**

If elected the Board considers Mr Peter Batten will not be an independent director.

#### **3.4 Board recommendation**

The Board supports the election of Mr Peter Batten and recommends that Shareholders vote in favour of Resolution 3.

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## **4. RESOLUTION 4 – ISSUE OF OPTIONS TO RELATED PARTY**

### **4.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 100,000,000 Options (**Related Party Options**) to Mr Terrence Larkan (or his nominee) on the terms and conditions set out below.

Resolution 4 seeks Shareholder approval for the grant of the Related Party Options to Mr Terrence Larkan (or his nominee).

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

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of Related Party Options constitutes giving a financial benefit and Mr Terrence Larkan is a related party of the Company by virtue of being the Managing Director.

The Directors (other than Mr Terrence Larkan who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Related Party Options because the agreement to grant the Related Party Options, reached as part of the incentive package for Mr Terrence Larkan, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

### **4.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the Related Party Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### **4.4 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 4:

- (a) the Related Party Options will be granted to Mr Terrence Larkan (or his nominee);
- (b) the number of Related Party Options to be issued is:
  - (i) 35,000,000 Related Party Options, vesting 30 days after the Company's Share price has traded at \$0.03, exercisable at \$0.02 on or before the date that is 3 years from the date of issue;

- (ii) 35,000,000 Related Party Options, vesting 30 days after the Company's Share price has traded at \$0.0375, exercisable at \$0.025 on or before the date that is 4 years from the date of issue; and
- (iii) 30,000,000 Related Party Options, vesting 30 days after the Company's Share price has traded at \$0.045, exercisable at \$0.03 on or before the date that is 5 years from the date of issue;
- (c) the Related Party Options will be issued for nil cash consideration; accordingly, no funds will be raised; and
- (d) the terms and conditions of the Related Party Options are set out in Schedule 1.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Related Party Options to Mr Terrence Larkan (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **5. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE – SHARES**

### **5.1 General**

On 29 December 2017, the Company issued 80,000,000 Shares at an issue price of \$0.014 per Share to raise \$1,200,000.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### **5.2 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 80,000,000 Shares were issued;
- (b) the issue price was \$0.014 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to sophisticated and professional investors. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue were used to fund exploration activities on the Company's exploration licences and for general working capital.

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## GLOSSARY

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**\$** means Australian dollars.

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

**Acquiring Parties** means GRIT, Mardasa and Peter Yunghanns.

**Acquisition** means the acquisition of a relevant interest in up to 535,150,000 Shares, in respect of which the approval of Shareholders under Resolution 1.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Collateral** has the meaning provided in Section 2 of the Explanatory Memorandum.

**Company** means Kalia Limited (ACN 118 758 946).

**Constitution** means the Company's constitution.

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

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

**Explanatory Statement** means the explanatory statement accompanying the Notice.

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

**GRIT** means Global Resources Investment Trust PLC.

**GSD** means the general security deed dated on or around 10 April 2018 between the Company and Tygola, pursuant to which the Company grants the Security Interest.

**Independent Expert Report** means the Independent Experts Report prepared by BDO Corporate Finance Pty Ltd which is attached to this Notice as Schedule 2.

**Kalia Holdings** means Kalia Holdings Pty Ltd (ACN 110 808 172).

**Loan Agreement** means the agreement between Tygola and Company dated on or around 10 April 2018.

**Loan Amount** means \$3,000,000.

**Mardasa** means Mardasa Nominees Pty Ltd.

**New Shares** means the 480,000,000 Shares to be issued to GRIT under the Share Sale Agreement, as set out in Section 1.2.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

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



**Optionholder** means a holder of an Option.

**Performance Share** means a performance share in the capital of the Company.

**Prohibition** has the meaning provided in 1.6(a) of the Explanatory Memorandum.

**Proposed GRIT Transaction** means the proposed acquisition by the Company of GRIT's 27.71% shareholding interest in Kalia Holdings, as set out in Section 1.1.

**Proxy Form** means the proxy form accompanying the Notice.

**Related Party Option** means an Option granted pursuant to Resolution 4 with the terms and conditions set out in Schedule 1.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Section** means a section of the Explanatory Statement.

**Security Interest** means the first ranking security interest over all of its assets and undertakings granted to Tygola pursuant to the GSD.

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

**Shareholder** means a registered holder of a Share.

**Share Sale Agreement** or **SSA** means the deed dated 20 March 2018 between the Company, GRIT and Kalia Holdings.

**Strategic Relationship Deed** means the strategic relationship deed dated 29 March 2018 between the Company and GRIT.

**Tygola** means Tygola Pty Ltd (ACN 006 443 018).

**WST** means Western Standard Time as observed in Perth, Western Australia.

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## SCHEDULE 1 – RELATED PARTY OPTIONS

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(a) **Entitlement**

Each Related Party Option entitles the holder to subscribe for one Share upon exercise of the Related Party Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Related Party Option will be;

- (i) 35,000,000 Related Party Options: exercisable at \$0.02;
  - (ii) 35,000,000 Related Party Options: exercisable at \$0.025;
  - (iii) 30,000,000 Related Party Options: exercisable at \$0.03,
- (each, the **Exercise Price**, as the context requires).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on;

- (i) 35,000,000 Related Party Options: the date that is 3 years from the date of issue;
- (ii) 35,000,000 Related Party Options: the date that is 4 years from the date of issue;
- (iii) 30,000,000 Related Party Options: the date that is 5 years from the date of issue,

(**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to

satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation 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 without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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## **SCHEDULE 2 – INDEPENDENT EXPERT’S REPORT**

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## **KALIA LIMITED** **Independent Expert's Report**

### **Opinions:**

**The Security Transaction is fair and reasonable**

**The GRIT Transaction is not fair but reasonable**

**10 April 2018**



## Financial Services Guide

10 April 2018

**BDO Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ('BDO', 'we' or 'us' or 'ours' as appropriate) has been engaged by Kalia Limited ('Kalia' or 'the Company') to provide an independent expert's report on the proposal to acquire the remaining 27.71% of Kalia Holdings Pty Ltd, which it does not already hold, from Global Resources Investment Trust ('GRIT') with consideration in the form of shares in Kalia and to grant security over the Company's assets to Tygola Pty Ltd. You will be provided with a copy of our report as a retail client because you are a shareholder of Kalia.

### Financial Services Guide

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

This FSG includes information about:

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

### Information about us

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

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

### Financial services we are licensed to provide

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

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

### General Financial Product Advice

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

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

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$22,000.

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

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

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

**Referrals**

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

**Complaints resolution***Internal complaints resolution process*

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

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

**Referral to External Dispute Resolution Scheme**

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

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Free call: 1800 367 287  
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 on page 1 of the accompanying report.

This is a draft document and must not be relied on or disclosed or referred to in any document. We accept no duty of care or liability to you or any third party for any loss suffered in connection with the use of this document.

## TABLE OF CONTENTS

|     |  |    |
|-----|--|----|
| 1.  | Introduction   | 1  |
| 2.  | Summary and Opinion                                    | 2  |
| 3.  | Scope of the Report                                    | 6  |
| 4.  | Outline of the Proposed Transactions                   | 9  |
| 5.  | Profile of Kalia                                       | 12 |
| 6.  | Profile of Global Resources Investment Trust           | 18 |
| 7.  | Economic analysis                                      | 19 |
| 8.  | Industry analysis                                      | 21 |
| 9.  | Valuation approach adopted                             | 26 |
| 10. | Valuation of Kalia prior to the GRIT Transaction       | 28 |
| 11. | Valuation of Kalia following the GRIT Transaction      | 39 |
| 12. | Valuation of security provided and liabilities settled | 43 |
| 13. | Are the Proposed Transactions fair?                    | 44 |
| 14. | Are the Proposed Transactions reasonable?              | 45 |
| 15. | Conclusion   | 49 |
| 16. | Sources of information                                 | 51 |
| 17. | Independence   | 51 |
| 18. | Qualifications   | 52 |
| 19. | Disclaimers and consents                               | 52 |

Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by Agricola Mining Consultants Pty Ltd



10 April 2018

The Directors  
Kalia Limited  
17 Rheola Street  
WEST PERTH, WA 6005

Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 18 September 2017, Kalia Limited ('Kalia') (then named GB Energy Limited ('GB Energy')) announced that it had acquired 72.29% of Kalia Holdings Pty Ltd ('Kalia Holdings'), the parent company of Papua New Guinea registered Kalia Investments Ltd ('Kalia Investments') whose principal asset is a series of exploration licences in the Autonomous Region of Bougainville (an autonomous region within Papua New Guinea).

Kalia is now proposing to acquire the remaining 27.71% of Kalia Holdings, which was not acquired in September 2017, from Global Resources Investment Trust plc ('GRIT'), the current holder of those remaining shares, with consideration in the form of shares in Kalia ('GRIT Transaction'). Contingent on the GRIT Transaction receiving shareholder approval, the Company will gain access to a \$3 million loan facility with Tygola Pty Ltd ('Tygola') (the 'Tygola Loan'). Under the terms of the loan facility, the Company will grant a first ranking general security over all the assets and undertaking of the Company to secure the Tygola Loan and accumulated interest ('Security Transaction'). The GRIT Transaction and the Security Transaction, are together referred to as 'the Proposed Transactions'.

Our report is prepared pursuant to the requirements of the Australian Securities Exchange ('ASX') Listing Rule 10.1 and Section 611 of the Corporations Act 2001 (Cth) ('Corporations Act' or 'the Act'), for the following reasons:

#### GRIT Transaction

Our Report is prepared pursuant to Section 611 of the Corporations Act because the issue of Kalia shares to GRIT will cause GRIT to have a relevant interest in the shares of Kalia of greater than 20%. Our Report is to be included in the Notice of Meeting ('Transaction Document') for Kalia in order to assist the Shareholders in their decision whether to approve the GRIT Transaction.

#### Security Transaction

An independent expert's report is required by ASX Listing Rule 10.1, because Tygola is considered to be an associate of Mardasa Nominees Pty Ltd ('Mardasa') which is considered to be a substantial holder of Kalia and Tygola's sole owner, Peter Yunghanns, is deemed to be a substantial holder of Kalia due to his deemed

relevant interest in Kalia shares through his ownership of Mardasa. ASX Listing Rule 10.1 applies when an entity acquires a substantial asset from, or disposes of a substantial asset to a substantial holder or an associate of a substantial holder. Although the Company has not entered into any agreement to dispose of any of its assets under the Tygola Loan Agreement, ASX considers, for the purpose of the Listing Rules, that the grant of a security over the Company's assets amounts to a 'disposal' of its assets.

## 2. Summary and Opinion

### 2.1 Purpose of the report

BDO has been appointed by the Directors of Kalia to prepare an Independent Expert's Report ('**our Report**') expressing our opinion as to whether or not the Proposed Transactions are fair and reasonable to the non-associated shareholders of Kalia ('**Shareholders**').

Our Report is prepared pursuant to ASX Listing Rule 10.1 and Section 611 of the Corporations Act, and is to accompany the Transaction Document required to be provided to the Shareholders of Kalia entitled to vote on the Proposed Transactions and has been prepared to assist the Shareholders in their considerations of whether to approve the Proposed Transactions.

### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 74 'Acquisitions Approved by Members' ('**RG 74**'), Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Proposed Transactions as outlined in the body of this report. We have considered:

- How the value of a Kalia share prior to the GRIT Transaction on a control basis compares to the value of a Kalia share following the GRIT Transaction on a minority basis (GRIT Transaction);
- How the value of the proceeds of the sale of assets that would be provided to Tygola under a first ranking security deed, in the event of a default, compares to the value of the liabilities that would be settled (Security Transaction);
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transactions; and
- The position of Shareholders should the Proposed Transactions not proceed.

### 2.3 Opinion

#### GRIT Transaction

We have considered the terms of the GRIT Transaction as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the GRIT Transaction is not fair but reasonable to Shareholders.

In our opinion, the GRIT Transaction is not fair because the value of a Kalia share following the GRIT Transaction on a minority basis is less than the value of a Kalia share prior to the GRIT Transaction on a control basis.

However, we consider the GRIT Transaction to be reasonable because the advantages of the GRIT Transaction to Shareholders are greater than the disadvantages. In particular:

- Access to a \$3 million loan facility which will allow the Company to continue as a going concern and to progress its exploration activities on the targets at Melilup, Rarie Puspa and Kunua;
- More efficient administration and management of the Tore Project; and
- Project finance less complex to negotiate.

## Security Transaction

We have separately considered the terms of the Security Transaction as outlined in the body of this report and have concluded that, in the absence of any other relevant information, the Security Transaction is fair and reasonable to Shareholders.

## 2.4 Fairness

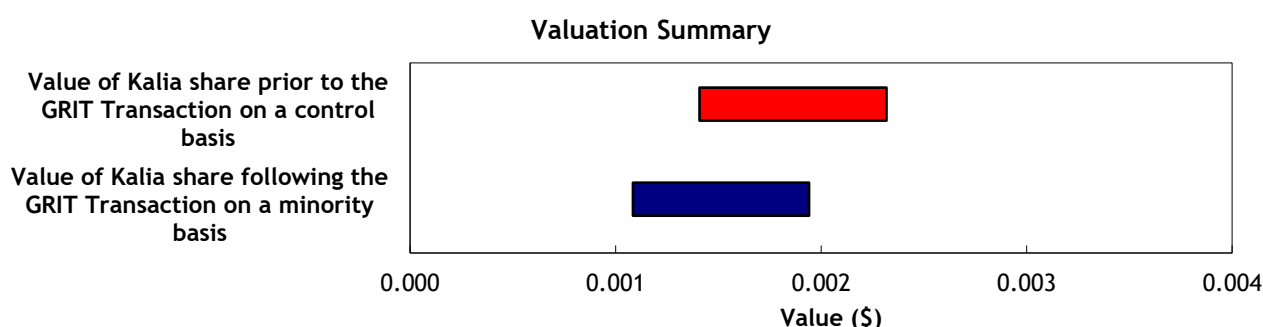
### GRIT Transaction

In section 13 we determined that the value of a Kalia share prior to the GRIT Transaction compares to the value of a Kalia share following the GRIT Transaction, as detailed below.

|   | Ref | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|---|-----|-----------|-----------------|------------|
| Value of a Kalia share prior to the GRIT Transaction on a control basis   | 10  | 0.0014    | 0.0019          | 0.0023     |
| Value of a Kalia share following the GRIT Transaction on a minority basis | 11  | 0.0011    | 0.0015          | 0.0019     |

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the GRIT Transaction is not fair for Shareholders.

## Security Transaction

We also concluded that the value of the proceeds of the sale of the Secured Assets that would be provided to Tygola under the terms of the loan agreement in the event of a default is equivalent or lower than the value of the liabilities that would be settled. This is discussed in section 13 of our Report. Therefore, in

the absence of any other relevant information, this indicates that the Security Transaction is fair for Shareholders.

## 2.5 Reasonableness

We have considered the analysis in section 14 of this report, in terms of both

- advantages and disadvantages of the Proposed Transactions; and
- other considerations, including the position of Shareholders if the Proposed Transactions do not proceed and the consequences of not approving the Proposed Transactions.

In our opinion, the position of Shareholders if the Proposed Transactions are approved is more advantageous than the position if the Proposed Transactions are not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that:

- the GRIT Transaction is reasonable for Shareholders; and
- the Security Transaction is Reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

### GRIT Transaction

| ADVANTAGES AND DISADVANTAGES |  |         |  |
|------------------------------|--|---------|--|
| Section                      | Advantages   | Section | Disadvantages                                |
| 14.4                         | As a result of the Proposed Transactions the Company will gain access to a \$3 million loan facility to continue operating (going concern issue) | 14.5    | The GRIT Transaction is not fair             |
| 14.4                         | More efficient administration and management from consolidating the ownership of the Tore Project  | 14.5    | Dilution of existing shareholders' interests |
| 14.4                         | Project finance should be less complex to negotiate and more likely to be obtained with consolidated ownership.                                  |         |  |
| 14.4                         | Reduces the possibility of future capital raisings being at a lower price per share  |         |  |
| 14.4                         | Additional expertise on the Kalia Board  |         |  |
| 14.4                         | Assistance from GRIT as a cornerstone investor, under the Terms of the Strategic Relationship Deed   |         |  |

## Security Transaction

| ADVANTAGES AND DISADVANTAGES |                                  |         |   |
|------------------------------|----------------------------------|---------|---|
| Section                      | Advantages                       | Section | Disadvantages   |
| 14.4                         | The Security Transaction is fair | 14.5    | Kalia will grant Tygola a first ranking security over all the assets of the Company to secure the Loan and accrued interest |
| 14.4                         | Supports debt funding            | 14.5    | Onerous restrictions on dealing with the Company's assets   |

Other key matters we have considered include:

| Section | Description   |
|---------|---|
| 14.1    | Alternative Proposal                                    |
| 14.2    | Practical Level of Control                              |
| 14.3    | Consequences of not approving the Proposed Transactions |

### 3. Scope of the Report

#### 3.1 Purpose of the Report

##### GRIT Transaction

Section 606 of the Corporations Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

If the GRIT Transaction is approved, then GRIT (and its associates or persons with a deemed relevant interest through their shareholding interest in GRIT) interest in the issued shares of Kalia will increase from 3.20% to 21.68%.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Kalia, by either:

- undertaking a detailed examination of the GRIT Transaction themselves, if they consider that they have sufficient expertise, experience and resources; or
- by commissioning an Independent Expert's Report.

The directors of Kalia have commissioned this Independent Expert's Report to satisfy this obligation.

##### Security Transaction

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset to a substantial holder, or an associate of a substantial holder, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5 per cent of the equity interest at the date of the last accounts. The equity interests of the Company as set out in the 31 December 2017 Reviewed accounts was \$1,358,270.

Tygola is deemed to be an associate of a substantial holder by virtue of:

- Mardasa having a direct interest in the shares of Kalia (holds 10,000,000 shares) and also has a relevant interest in Grit of 29.93%, which together constitute a substantial holding.
- Mardasa and Tygola having a common controller, being Mr Peter Yunghanns, which makes Mardasa an associate of Tygola.

By entering into the Security Transaction, the Company is deemed to have disposed of a substantial asset, through the grant of a security interest to Tygola and (indirectly through his ownership of Tygola) Peter Yunghanns pursuant to a general security deed, under which the value of the security granted is more than 5% of the Company's equity interest at 31 December 2017.

ASX Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and

reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction (non-associated shareholders).

Accordingly, an independent experts' report is required for the Security Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Kalia.

### **3.2 Regulatory guidance**

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposed Transactions are fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. RG 111 provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

#### **GRIT Transaction**

RG 111 suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the GRIT Transaction is a control transaction as defined by RG 111 and we have therefore assessed the GRIT Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

#### **Security Transaction**

RG 111 suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purpose of ASX Listing Rule 10.1, this should not be applied as a composite test - that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Security Transaction to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Security Transaction as if it were not control transaction.

### **3.3 Adopted basis of evaluation**

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities which are the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities which are the subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest; as such the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

## GRIT Transaction

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of a Kalia share prior to the GRIT Transaction on a control basis and the value of a Kalia share following the GRIT Transaction on a minority basis (fairness - see Section 13 'Are the Proposed Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 14 'are the Proposed Transaction Reasonable?').

## Security Transaction

As stated in section 3.2, we do not consider that the Security Transaction is a control transaction. As such, we have not included a premium for control when considering the value of the assets deemed to have been disposed by Kalia.

For the Security Transaction, the financial benefit provided by Kalia is cash or assets up to the equivalent cash amount sufficient to repay the outstanding liability to Tygola in the case of default on the Tygola Loan. The consideration being provided to Tygola is the amount payable to Tygola that would be settled by the sale of the secured assets, including the principal amount drawn down and related interest accrued.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of the assets being disposed and the value of the consideration (fairness-see section 13 'Are the Proposed Transactions fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see section 14 'Are the Proposed Transactions reasonable?')

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

*'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.



## 4. Outline of the Proposed Transactions

### 4.1 The GRIT Transaction

On 26 February 2018, Kalia announced that it entered into an agreement with GRIT to consolidate the non-landowner interests in Bougainville Exploration Licences 03 and 04 ('BEL03' and 'BEL04' or 'Tore Exploration Licences'). This is to be achieved through Kalia acquiring the remaining 27.71% of Kalia Holdings that it does not already own from GRIT for consideration of the issue of 480,000,000 shares in Kalia to GRIT.

Currently, Kalia's interest in BEL03 and BEL04, in the Tore region in the north of Bougainville Island, Autonomous Region of Bougainville, Papua New Guinea is held through the Company's 72.29% owned subsidiary, Kalia Holdings Pty Ltd.

If the GRIT Transaction is approved, Kalia's holding will be 100% of the available non-landowner interest in the Tore Exploration Licences increasing the Company's effective economic interest in the Tore Exploration Licences from 54.22% to 75.00%.

Under the joint venture agreement for the Tore Exploration Licences the remaining 25% direct interest remains the property of the native landowners.

The key terms of the GRIT Transaction are as follows:

- GRIT will transfer its interest in Kalia Holdings to the Company, resulting in Kalia owning 100% of Kalia Holdings.
- As consideration Kalia will issue 480,000,000 ordinary shares in Kalia to GRIT increasing the shares on issue from 2,034,347,391 to 2,514,347,391. This consideration will represent 19.09% of the enlarged issued share capital of Kalia.
- Following completion of the transaction, GRIT (and its associates or persons with a deemed relevant interest through their shareholding interest in GRIT) are expected to hold 545,150,000 Kalia shares or 21.68% of the issued share capital of the Company.
- GRIT will have the right, but not the obligation, to maintain its interest in the capital of the Company by subscribing for Kalia shares on the same terms as those attaching to any future capital raises. The right will expire after a period of five years or in the event the relevant interest of GRIT in the Company is less than 10%. The grant of this right is subject to the Australian Securities Exchange ('ASX') granting an appropriate waiver of the ASX Listing Rules.
- GRIT shall have the right to nominate a fit and proper person to hold a non-executive directorship on the Board of the Company. The initial nomination and appointment of the director shall be supported by the existing Board of Directors of the Company and continued membership will be subject to the Constitution of the Company.

The GRIT Transaction is conditional on:

- a) the parties signing a formal agreement to record the sale of shares in Kalia Holdings substantially on the terms set out above; and
- b) the shareholders of the Company providing approval of the GRIT Transaction in accordance with the provisions of the listing rules of the ASX and the Corporations Act, accompanied by an

independent expert's report opining on whether the transaction is fair and reasonable to the non-associated shareholders of the Company.

The condition in paragraph (a) must be satisfied (or waived by the parties) on or before 14 March 2018, at which time (or soon thereafter) a circular including General Meeting voting papers will be sent to Kalia shareholders.

The condition in paragraph (b) must be satisfied (or waived by the parties) on or before 14 April 2018.

On 29 March 2018, Kalia entered into a Strategic Relationship Deed ('The Deed') with GRIT, for the provision of strategic services and access to technical, financing, construction, commissioning and operational skills. Further details on the Deed, which sets out the terms on which GRIT will assist the Company in reaching its long term objectives for the Tore Project, can be found in the Transaction Document under Section 1.3.

## 4.2 The Security Transaction

As a result of the GRIT Transaction the Company will gain access to a \$3 million loan with Tygola. The Security Transaction is the subject of Resolution 2 and the passing of this resolution is contingent on Resolution 1 being passed. We note the key terms of the Tygola Loan are:

- The facility will be repayable on or before 31 December 2018 (unless otherwise agreed by the Lender);
- The facility will accrue interest payable of 10% per annum (paid monthly in arrears) on the amount outstanding. If any interest is not paid when due, interest will be payable at a higher rate of 14% for the period of time commencing on the due date and ending on the date on which the interest has been paid in full;
- The facility will have a fee of 5% of the amount drawn down, to be payable at the time of each drawdown; and
- The facility will be secured by a first ranking general security deed over all the assets and undertaking of the Company.

Further details of the Tygola Loan are disclosed in the Company's Transaction Document.

## 4.3 Capital Structure

As at the date of our Report, GRIT (and its associates or persons with a deemed relevant interest through their shareholding interest in GRIT) hold a relevant interest in 65,150,000 shares in the Company (3.20% interest). The issue of consideration shares, and an acquisition of shares by GRIT, will increase GRIT's (and its associates or persons with a deemed relevant interest through their shareholding interest in GRIT) holding in Kalia to 545,150,000 shares, representing a holding of 21.68% on an undiluted basis. This is shown in the table below:

|   | GRIT and its associates | Other Shareholders   | Total                |
|---|-------------------------|----------------------|----------------------|
| Existing shares at date of report                         | 65,150,000              | 1,969,197,391        | 2,034,347,391        |
| % holdings at the date of our Report                      | 3.20%                   | 96.80%               | 100.00%              |
| Shares to be issued as share consideration                | 480,000,000             | -                    | 480,000,000          |
| <b>Issued shares after completion of GRIT Transaction</b> | <b>545,150,000</b>      | <b>1,969,197,391</b> | <b>2,514,347,391</b> |
| % holdings after completion of Proposed Transactions      | 21.68%                  | 78.32%               | 100.00%              |

We note that the existing interest of GRIT and its associates or persons with a deemed relevant interest through their shareholding interest in GRIT, is comprised of:

- 55,150,000 shares held by GRIT; and
- 10,000,000 shares held by Mardasa

## 5. Profile of Kalia

### 5.1 Company Background

Kalia, formerly known as GB Energy Limited, is an Australian based mining exploration company. The primary asset held by Kalia, is its interest in Bougainville Exploration Licences BEL03 and BEL04, in the Autonomous Region of Bougainville which comprise the Tore Project (**'Tore Project'**). The Company acquired an interest in the Tore Project in September 2017, following an acquisition of 72.29% of Kalia Holdings. The remaining 27.71% of Kalia Holdings is held by GRIT.

The two exploration licenses (BEL03 and BEL04) that comprise the Tore Project are held jointly with an incorporated landowner group, Toremana Resources Ltd (**'Toremana'**). Under the terms of the joint venture, Kalia holds a 75% interest in the Tore Project, and Toremana holds 25% interest, free carried through to production. Kalia also has Australian mineral assets, including the Kimberly Project (**'Kimberly Project'**) and the Indiana Project (**'Indiana Project'**), collectively **'the Australian Mineral Assets'**. Kalia is listed on the ASX and has its registered office in West Perth, Western Australia.

The current board of directors and senior management are:

- Mr Terry Larkan - Managing Director;
- Mr David Johnston - Non-Executive Chairman;
- Mr Peter Batten - Technical Director; and
- Mr Phillip Hartog - Chief Financial Officer and Company Secretary.

### Tore Project

In March 2017, the Company signed a binding term sheet for a 120-day put option (**'the Option'**) to acquire 100% of Kalia Holdings, a private Australian company, which held the contractual rights to explore for minerals and develop mines in the Tinputz district of North Bougainville. Kalia Holdings held a 75% interest in the Tore Project, while Toremana, an approved landowner organisation, had a free carried interest of 25% to production. In September 2017, the Company elected to exercise the Option, shareholders representing 72.29% accepted the offer (GRIT the owner of 27.71% rejected the offer). In November 2017, following Chief Wardens Hearings and a meeting of the Bougainville Executive Council, the Company and Toremana were notified that the exploration licenses had been awarded. A ceremonial presentation of the licenses was held on 17 November 2017. Management is currently assessing site options for a suitable company compound, and is continuing discussions regarding, social mapping, environmental work and awareness.

### Kimberly Project

Kalia has two tenements located in the East Kimberly region of Western Australia. The tenements were granted by the Western Australian Department of Mines in November 2017, following negotiation over Native Title Agreements. Kalia is targeting copper, chromium and platinum group elements.

### Indiana Project

As at the date of this Report, Kalia has two granted tenements in the Northern Territory and four exploration license applications.

## Key Funding Events

On 27 December 2017, the Company announced that it completed a placement of 80 million shares at 1.4 cents each to an international mining fund, to raise a total of approximately \$1.1 million.

On 23 October 2017, the Company announced that it had completed a placement of 120 million shares at an issue price of 1.2 cents each. 100 million of the shares were placed to a sophisticated and professional investor and the other 20 million shares were placed to a sophisticated investor for the repayment of a \$240,000 loan.

## 5.2 Historical Balance Sheet

| Statement of Financial Position                      | Reviewed as at<br>31-Dec-17<br>\$ | Audited as at<br>30-Jun-17<br>\$ |
|--|-----------------------------------|----------------------------------|
| <b>CURRENT ASSETS</b>                                |                                   |                                  |
| Cash and cash equivalents                            | 1,352,746                         | 57,259                           |
| Trade and other receivables                          | 99,132                            | 158,326                          |
| Other assets   | 18,223                            | 2,872                            |
| Assets classified as available for sale              | -                                 | 30,000                           |
| <b>TOTAL CURRENT ASSETS</b>                          | <b>1,470,101</b>                  | <b>248,457</b>                   |
| <b>NON-CURRENT ASSETS</b>                            |                                   |                                  |
| Loan - Kalia Holdings Pty Ltd                        | -                                 | 600,000                          |
| Property Plant and Equipment                         | 1,414                             | -                                |
| Exploration and evaluation expenditure               | 313,033                           | 263,182                          |
| <b>TOTAL NON-CURRENT ASSETS</b>                      | <b>314,447</b>                    | <b>863,182</b>                   |
| <b>TOTAL ASSETS</b>                                  | <b>1,784,548</b>                  | <b>1,111,639</b>                 |
| <b>CURRENT LIABILITIES</b>                           |                                   |                                  |
| Trade and other payables                             | 426,277                           | 320,024                          |
| Borrowings   | -                                 | 100,000                          |
| <b>TOTAL CURRENT LIABILITIES</b>                     | <b>426,277</b>                    | <b>420,024</b>                   |
| <b>TOTAL LIABILITIES</b>                             | <b>426,277</b>                    | <b>420,024</b>                   |
| <b>NET ASSETS</b>                                    | <b>1,358,270</b>                  | <b>691,615</b>                   |
| <b>EQUITY</b>  |                                   |                                  |
| Issued capital                                       | 22,636,231                        | 11,223,627                       |
| Reserves   | 6,307,289                         | 463,635                          |
| Accumulated losses                                   | (27,134,372)                      | (10,995,647)                     |
| <b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF PARENT</b> | <b>1,809,148</b>                  | <b>691,615</b>                   |
| Non-controlling interest                             | (450,877)                         | -                                |
| <b>TOTAL EQUITY</b>                                  | <b>1,358,270</b>                  | <b>691,615</b>                   |

Source: Kalia Limited's audited financial statements for the year ended 30 June 2017 and reviewed financial statements for the half year ended 31 December 2017.

We note that Kalia's auditor outlined the existence of material uncertainty relating to going concern in Kalia's Annual Report for year ended 30 June 2017. Specifically, the material uncertainty related to Company's need to raise additional capital to fund exploration expenditure and working capital. The

auditor's review report for the half-year ended 31 December 2017 also outlined the existence of a material uncertainty related to going concern. In Note 1 to the 31 December 2017 financial statements the directors note that Kalia will need to secure sources of external funding before the end of April 2018 to enable it to continue to meet its liabilities as and when they fall due.

We also note that the Company acquired its existing interest in Kalia Holdings subsequent to 30 June 2017, and therefore this is only reflected in the 31 December 2017 accounts.

## Commentary on Historical Statements of Financial Position

We note the following in relation to Kalia's statement of financial position.

- Cash and cash equivalents was \$57,259 at 30 June 2017 and \$1,352,746 at 31 December 2017. The increase in cash and cash equivalents of \$1,295,487 was primarily the result of proceeds from the issue of equity securities of \$2,536,427 in October 2017 and December 2017 (refer 5.1 above) and proceeds from borrowings of \$120,000. This was partly offset by payments for exploration and evaluation expenditure of \$760,528 and payments to suppliers and employees of \$461,811.
- The loan to Kalia Holdings of \$600,000 at 30 June 2017 related to an interest free loan extended to Kalia Holdings as part of the purchase transaction.
- Exploration expenditure was \$263,182 at 30 June 2017 and \$313,033 at 31 December 2017. The increase was the result of expenditure incurred of \$64,117, this was offset by an impairment of exploration of \$14,266. The impairment related EL 5302, which the Company ceased to hold during the period, and to the sale of EL5391.
- Trade and other payables of \$426,277 at 31 December 2017 was primarily comprised of accrued fees and expenses of \$213,550, accrued salary expenses of \$79,388 and trade payables of \$68,399
- Non-controlling interest relates to GRIT's 27.71% ownership in Kalia Holdings.
- Kalia and Kalia Holdings are defendants in an action brought against them in the Supreme Court of Western Australia relating to an alleged breach of a deed of settlement on activity relating to the Panguna Mine in the Autonomous Region of Bougainville, Papua New Guinea. This is treated as a contingent liability in the 31 December 2017 financial statements and no liability has been recognised.

## 5.3 Historical Statement of Comprehensive Income

| Statement of Comprehensive Income     | Reviewed for the<br>half year ended<br>31-Dec-17<br>\$ | Audited for the<br>year ended<br>30-Jun-17<br>\$ | Audited for the<br>year ended<br>30-Jun-16<br>\$ |
|---------------------------------------|--|--|--|
| <b>Continuing Operations</b>          |  |  |  |
| Interest Income                       | 49   | 381  | 4,371  |
| Accounting expenses                   | (17,179)   | (34,880)   | (29,500)   |
| Administrative and employee expense   | (710,034)  | (334,432)  | (344,936)  |
| Depreciation and amortisation expense | (37)   | (482)  | (2,417)  |
| Project generation                    | (352,969)  | (46,668)   | -  |
| Impairment of exploration asset       | (1,466)  | (545,650)  | (46,943)   |

| Statement of Comprehensive Income                                 | Reviewed for the<br>half year ended<br>31-Dec-17<br>\$ | Audited for the<br>year ended<br>30-Jun-17<br>\$ | Audited for the<br>year ended<br>30-Jun-16<br>\$ |
|---|--|--|--|
| Acquisition cost of Kalia Holdings Pty Ltd                        | (15,505,774)   | -  | -  |
| Foreign Exchange  | 241  | -  | -  |
| <b>Loss before income tax expense</b>                             | <b>(16,587,169)</b>                                    | <b>(961,731)</b>                                 | <b>(419,425)</b>                                 |
| Income tax (benefit)/expense                                      | -  | -  | -  |
| <b>Net loss for the period</b>                                    | <b>(16,587,169)</b>                                    | <b>(961,731)</b>                                 | <b>(419,425)</b>                                 |
| <b>Other comprehensive income, net of income tax</b>              |  |  |  |
| <i>Items that may be reclassified to profit or loss</i>           |  |  |  |
| Exchange difference on translation of foreign operations          | (8,779)  | -  | -  |
| <b>Total comprehensive loss for the period, net of income tax</b> | <b>(16,595,948)</b>                                    | <b>(961,731)</b>                                 | <b>(419,425)</b>                                 |

Source: Kalia Limited's audited financial statements for the year ended 30 June 2016 and 30 June 2017 and reviewed financial statements for the half year ended 31 December 2017.

## Commentary on Historical Statement of Comprehensive Income/(Loss)

We note the following in relation to Kalia's statement of comprehensive income/(loss):

- Administrative and employee expenses were \$710,034 for the half year ended 31 December 2017 and \$334,432 for the year ended 30 June 2017. The relative increase in the administrative and employee expenses were primarily the result of an increase in salary expenses and director fees (appointment of a Managing Director and Chief Geologist), higher legal fees as a result of the acquisition of 72.29% in Kalia Holdings and an increase in ASX fees, due to the issue of new shares.
- Project generation expenses of \$352,969 for the half year ended 31 December 2017 related to expenditure directly related to Tore Project development activities.
- The impairment of exploration assets of \$545,650 for the year ended 30 June 2017 related to written off capitalised exploration expenditure for specific south Australian tenements.

## 5.4 Capital Structure

The share structure of Kalia as at 16 February 2018 is outlined below:

|  | Number        |
|--|---------------|
| Total ordinary shares on issue             | 2,034,347,391 |
| Top 20 shareholders                        | 1,358,273,952 |
| Top 20 shareholders - % of shares on issue | 66.77%        |

Source: Share registry information

The range of shares held in Kalia as at 16 February 2018 is as follows:

| Range of Shares Held | Number of Ordinary Shareholders | Number of Ordinary Shares | Percentage of Issued Shares (%) |
|----------------------|---------------------------------|---------------------------|---------------------------------|
| 1 - 1,000            | 29                              | 5,908                     | 0.00%                           |
| 1,001 - 5,000        | 13                              | 40,475                    | 0.00%                           |
| 5,001 - 10,000       | 47                              | 454,110                   | 0.02%                           |
| 10,001 - 100,000     | 217                             | 11,866,686                | 0.58%                           |
| 100,001 - and over   | 401                             | 2,021,980,212             | 99.39%                          |
| <b>TOTAL</b>         | <b>707</b>                      | <b>2,034,347,391</b>      | <b>100.00%</b>                  |

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 16 February 2018 are detailed below:

| Name   | Number of Ordinary Shares Held | Percentage of Issued Shares (%) |
|--|--------------------------------|---------------------------------|
| Mr Nikolajs Zuks   | 281,473,503                    | 13.84%                          |
| Pillage Investments Pty Ltd <the Pillage Super Fund A/C> | 167,000,000                    | 8.21%                           |
| Gleneagle Securities Nominees Pty Ltd                    | 122,905,985                    | 6.04%                           |
| JP Morgan Nominees Australia Limited                     | 106,113,802                    | 5.22%                           |
| Enzed Nominees <the Nikolais Zuks Family A/C>            | 75,301,205                     | 3.70%                           |
| Enzed Nominees <Adam Nikolais Zuks A/C>                  | 67,934,157                     | 3.34%                           |
| Subtotal   | 820,728,652                    | 40.34%                          |
| Others   | 1,213,618,739                  | 59.66%                          |
| <b>Total ordinary shares on Issue</b>                    | <b>2,034,347,391</b>           | <b>100.00%</b>                  |

Source: Share registry information

Outlined below are the options and performance rights Kalia has on issue as at 12 January 2017:

| Name                                    | Number of Options  | Exercise Price (\$) | Expiry Date |
|---|--------------------|---------------------|-------------|
| Unlisted Options                        | 44,500,000         | \$0.006             | 13-May-19   |
| Class A Performance Shares              | 250,000,000        | Nil                 | 1-Jun-20    |
| Class B Performance Shares              | 250,000,000        | Nil                 | 1-Mar-22    |
| Class C Performance Shares              | 250,000,000        | Nil                 | 1-Jun-19    |
| Unlisted Adviser Options                | 250,000,000        | \$0.003             | 30-Jun-19   |
| Total Number of Options                 | 1,044,500,000      |                     |             |
| <b>Cash Raised if Options Exercised</b> | <b>\$1,017,000</b> |                     |             |

Source: Share registry information

The Class A Performance shares listed above, will convert into a share (on a one for one basis) upon the Company announcing on or before 1 June 2020, from a project held by Kalia or a subsidiary of Kalia, a JORC 2012 compliant inferred resource of either:



- (i) at least 190Mt at a minimum grade of 0.3g/t of gold (Au); or
- (ii) at least 160Mt at a minimum grade of 0.3% copper (Cu).

The Class B Performance Shares listed above, will convert into a share (on a one for one basis) upon the Company announcing on or before March 2022, from a project held by Kalia or a subsidiary of Kalia, a JORC 2012 compliant inferred resource of either:

- (i) at least 285Mt at a minimum grade of 0.3g/t gold (Au); or
- (ii) at least 240Mt at a minimum grade of 0.3% copper (Cu).

The Class C Performance Shares listed above, will convert into a share (on a one for one basis) upon the following, occurring on or before 1 June 2019:

- (i) the grant of an exploration licence to Kalia or a subsidiary of Kalia in the Tinputz district of Bougainville and the period of 180 days thereafter; and
- (ii) Kalia, through the Company's funding, undertaking initial mapping and then drilling on a project held by Kalia or a subsidiary of Kalia of a minimum of 2,000 metres.

## 6. Profile of Global Resources Investment Trust

### 6.1 Background

GRIT is a listed investment trust based in the United Kingdom. GRIT's stated investment objective is to generate medium and long term capital growth by investing in a diverse portfolio of natural resources and mining companies.

GRIT's investment policy places no restrictions on the commodity classes and geographical regions that it invests in. In 2016, GRIT announced that it would transition from holding investments in exploration and early stage development companies, to holding investments in companies with large scale assets that are close to a production phase.

GRIT was admitted to trading on the London Stock Exchange ('LSE')'s main market in March 2014.

The current board of directors are:

- Lord Anthony Tudor St John - Non-Executive Chairman.
- Mr Simon James Farrell - Independent Non-Executive Director;
- Ms Haruko Fukuda Obe - Independent Non-Executive Director; and
- Mr David James Hitchins - Executive Director.

## 7. Economic analysis

We set out in the following paragraphs some of the general economic factors which may impact on Kalia and its Australian and Bougainville assets.

### 7.1 Global

Conditions in the global economy improved over 2017, with available information suggesting this strength has continued into 2018. The major advanced economies have continued to grow at an above-trend rate, and unemployment rates are generally low.

In China, gross domestic product ('GDP') growth remained robust in 2017, supported by fiscal spending and continued rapid growth in aggregate financing. However, restrictions implemented by the Chinese government in order to target environmental issues led to a decline in output for a large number of industrial products towards the end of 2017.

In December 2017, the World Bank revised its growth expectations for China upwards from 6.7% to 6.8% per annum as factors such as personal consumption and foreign trade showed signs of supporting growth. However, growth levels may moderate over the next two years as policies to reduce leverage gradually take hold.

According to the United States' Bureau of Economic Analysis, preliminary estimates indicate the United States' output increased at an annual rate of 2.6% in the final quarter of 2017. This is reflective of positive contributions from personal consumption expenditures, non-residential fixed investment, exports, and residential fixed investment, amongst other influencing factors.

Globally, inflation remains low, although higher commodity prices and tight labour markets are likely to see inflation increase over the next couple of years. Long-term bond yields have risen but are still low. Market volatility has increased from the very low levels of last year. As conditions have improved in the global economy, a number of central banks have withdrawn monetary stimulus. Financial conditions remain expansionary, with credit spreads narrow.

### 7.2 Australia

#### Domestic growth

The Australian economy grew by 2.4% over 2017. The Reserve Bank of Australia ('RBA') is expecting faster growth over 2018, driven by improved business conditions, increased non-mining investment and higher levels of public infrastructure investment.

Inflation in the country remains below the RBA's target of 2% to 3%, with headline inflation of 1.9% recorded over the year ended 31 December 2017. Inflation is likely to remain low for some time, due to factors such as low growth in labour costs and strong competition in retailing. However, a gradual pick-up of inflation is expected as the economy strengthens.

#### Currency movements

On a trade-weighted basis, the Australian dollar has remained within a relatively narrow range for the past number of years. An appreciating exchange rate would be expected to hinder domestic growth and inflation compared to what is currently forecast.

#### Outlook

Low levels of interest rates are continuing to support the Australian economy. The RBA is forecasting GDP growth to average approximately 3% over the next few years and it is expected that unemployment levels will fall and inflation will gradually return to target.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Philip Lowe, Governor: Monetary Policy Decision 3 April 2018, World Bank.

### 7.3 The Autonomous Region of Bougainville

The Autonomous Region of Bougainville (**'Bougainville'**) is made up of a series of islands, the largest being the Island of Bougainville. Mining exploration commenced on the Island of Bougainville in the 1960s and, following the discovery of large copper deposits by Bougainville Copper Limited (a Rio Tinto subsidiary), the Panguna Copper Gold Mine (**'Panguna Mine'**) was established. Panguna Mine commenced production in 1972.

Panguna Mine officially closed in May 1989 due to civil war in Bougainville. The civil war between the Bougainville Revolutionary Army and the Papua New Guinea Defence Force ended in 2001, following the signing of a peace agreement, subsequent to which, Bougainville was granted autonomy of government as a region within Papua New Guinea.

The Autonomous Bougainville Government (**'ABG'**) and the National Government of Papua New Guinea signed a Memorandum of Understanding in 2008, which established a plan for the transfer of the mining, oil and gas functions, from the National Government of Papua New Guinea to the ABG. In 2015, the ABG enacted its own Mining Act, allowing the ABG to regulate its own mining sector.

Under the Mining Act, the landowners of Bougainville are defined as the owners of all the minerals found in Bougainville, and so the indigenous people must be consulted and approve of, any mining development. The Bougainville Executive Council has the final authority to grant mining licenses, however prior to that, landowners have the right to refuse entry to exploration license areas and the grant of development licenses. In April 2017, the ABG announced that the mining and exploration Moratorium had been partially lifted, making way for the first mining activity in Bougainville since Panguna Mine closed.

Source: <http://www.abg.gov.pg>

## 8. Industry analysis

### 8.1 Copper Industry

Copper is the third most used metal worldwide in terms of volume. Copper has a wide range of applications, as it is malleable, conducts heat and electricity well, and is resistant to corrosion. It is used extensively in electrical products, vehicle components, construction and infrastructure developments. Industry revenue is primarily driven by demand for copper tubes and wire that are commonly used in the building and construction sector. Stronger economic growth in Organisation for Economic Co-operation and Development member countries, is expected to result in an increase in the global demand for copper. Demand for copper from Japan and China is also expected to grow, as construction and manufacturing activity increases.

#### Copper Prices

Following a deterioration in global economic conditions in 2008, base metal prices, including copper, fell sharply. The copper price reached a low of approximately US\$2,810 per tonne in December 2008. The copper price recovered over 2010 and 2011, to reach a high of approximately US\$10,180 per tonne in February 2011. The recovery in the copper price reflected a steady increase in demand for base metals, following a pick-up in global industrial production after the Global Financial Crisis.

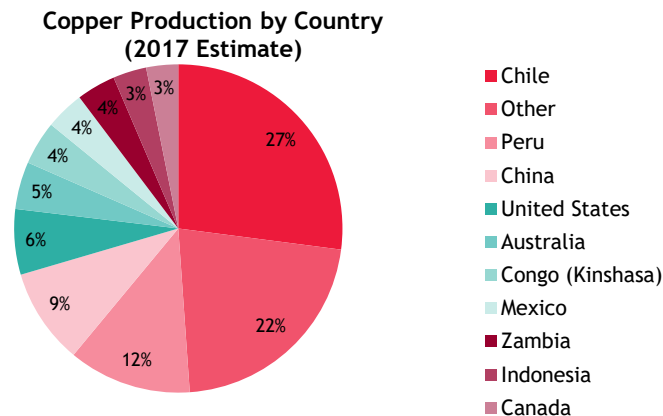
Between 2011 and 2017, the copper price steadily declined, before increasing in price in mid-February 2017 as a result of strike action at the world's largest copper mine Escondida, located in Chile. The average copper price from January 2017 through to April 2018 has been approximately US\$6,355 per tonne, ranging from a low of US\$5,461 per tonne on 8 May 2017 to a high of US\$7,253 per tonne on 28 December 2017. According to Consensus Economics the long term forecast copper price is expected to be between approximately US\$6,800 and US\$7,300 per tonne.



Source: Bloomberg and Consensus Economics

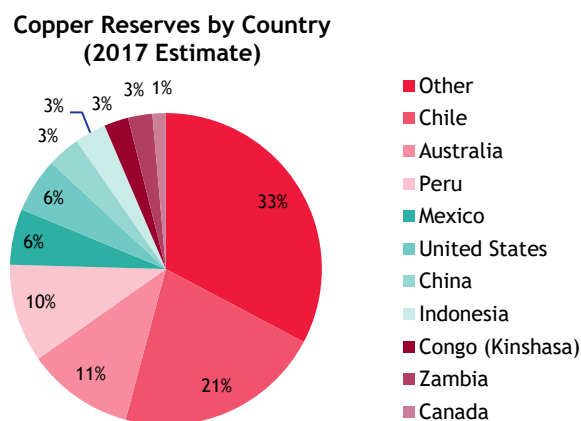
#### Copper Production

Most of the world's copper comes from South and Central America, particularly in Chile and Peru. In 2016, Chile, China and Peru have been estimated to account for approximately 50% of the world's copper production. U.S Geological Survey, estimated DRC to account for approximately 4% of the total world copper production for 2017. The graph below shows the percentage of different country's estimated copper production for the year 2017.



Source: U.S. Geological Survey

For the year 2017, Chile, Australia and Peru were collectively estimated to account for just over 50% of global reserves of copper. DRC was estimated to have approximately 3% of the world's total copper reserves for 2017. The graph below illustrates the estimated copper reserves for 2017 by country:



Source: U.S. Geological Survey

The dominant consumers include China, Japan and India. China acquires approximately 33.7% of the Australian copper exports given the demand influenced by the above average growth of urbanisation and energy use. Japan accounts for approximately 32.4%, and commonly utilises copper concentrates for further processing into final copper goods. Industry revenue is expected to grow over the next five years, as output is expected to increase in response to stabilising prices.

Source: IBISWorld and US Geological Survey

## 8.2 Gold Industry

Gold is a soft malleable metal which is highly desirable due to its rarity and unique mineral properties. Gold has been used in jewellery and as a form of currency for thousands of years, however in more recent history there has been increasing demand for its use in the manufacture of electronics, dentistry, medicine and aerospace technology.

In addition to its practical applications, gold also serves as an international store of monetary value. Gold is widely regarded as a monetary asset as it is considered less volatile than world currencies and therefore provides a safe haven investment during periods of economic uncertainty.

Once mined, gold continues to exist indefinitely and is often melted down and recycled to produce alternative or replacement products. Consequently, demand for gold is supported by both gold ore mining and gold recycling.

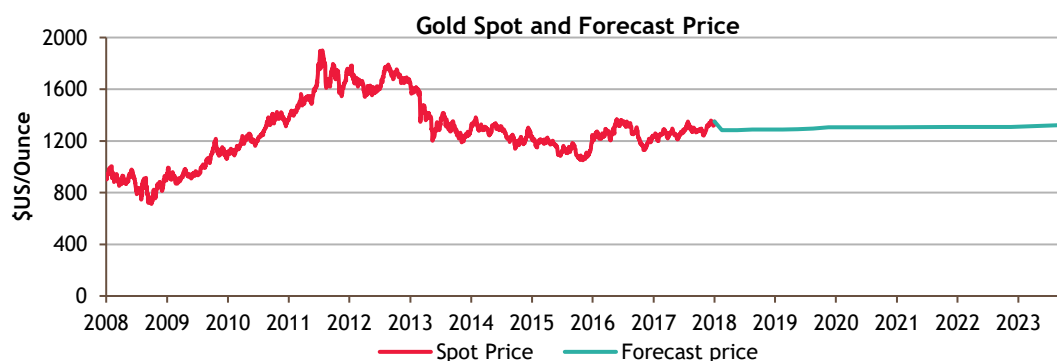
The gold ore mining industry has performed steadily in recent years, with growth driven by price increases and slow economic growth. However, as the world economy stabilises following uncertainty surrounding the United States ('US') Presidential Election and the United Kingdom's exit from the European Union, Industry revenue is projected to stagnate.

### Gold Prices

The price of gold peaked at US\$1,900 on 5 September 2011, due largely to the debt market crisis in Europe and the Standard and Poor's downgrade of the US credit rating. Global stock markets subsequently went into turmoil, which saw investors opt for the stability offered by gold.

The price of gold fluctuated around US\$1,700 during 2012 before entering a steep decline in 2013. The downturn represented the beginning of a correction in the price of gold, which had almost tripled in the two-year period prior to the European crisis in 2011. Improved market sentiment and increased risk appetite from investors saw gold prices continue to decline throughout 2014 and 2015 to US\$1,051 in December 2015.

During 2016, gold prices strengthened, likely as a result of heightened uncertainty surrounding the US Presidential election and the United Kingdom's exit from the European Union. The price of gold reached US\$1,363 in late 2016 before stabilising around US\$1,200 to US\$1,300 throughout 2017. In January 2018, the gold price reached a six-month high of US\$1,358. The gold spot price since 2007 and forecast prices through to 2023 are depicted in the graph below:



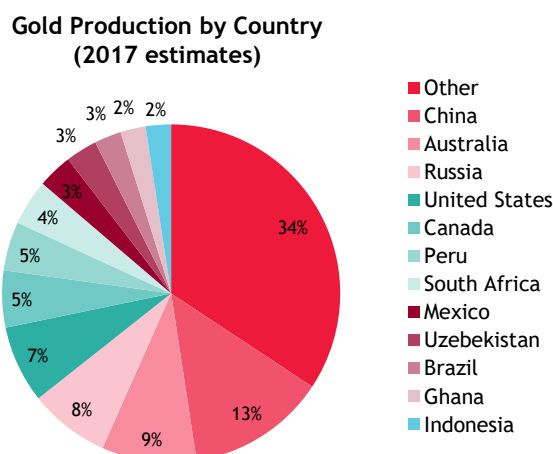
Source: Bloomberg, Consensus Economics and BDO analysis

According to Consensus Economics, gold prices are forecast to remain relatively stable with a long-term nominal price forecast of approximately US\$1,300 per ounce.

## Gold Ore Mining Trends

Gold ore mining is a capital intensive and high cost process, which is becoming increasingly difficult and more expensive as the quality of ore reserves diminishes. The Industry also incurs many indirect costs related to exploration, royalties, overheads, marketing and native title law. Typically, many of these costs are fixed in the short term as a result of Industry operators' inability to significantly alter cost structures once a mine commences production.

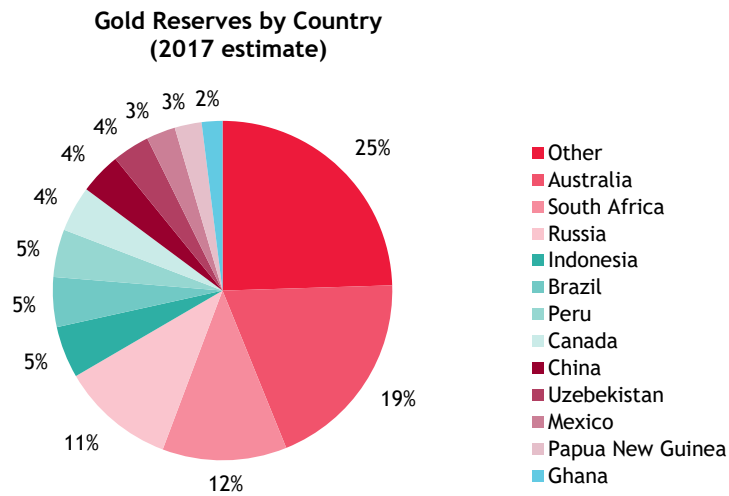
Until the late 1980s, South Africa produced approximately half of the total gold ore mined globally. More recently however, the Industry has diversified geographically and China and Australia now dominate global gold production. According to the United States Geological Survey for January 2018, total estimated global gold ore mined for 2017 was approximately 3,150 metric tonnes. The chart below illustrates the estimated global gold production by country for 2017.



Source: United States Geological Survey and BDO analysis

Despite China leading global gold production in 2017, accounting for approximately 34%, Australia, South Africa and Russia hold the largest known gold reserves globally. As depicted below, collectively these three countries account for approximately 42% of global gold reserves.





**Source:** United States Geological Survey and BDO analysis

According to the 2017 US Geological Survey, Australia holds 9,800 tonnes of gold, representing 19% of global reserves and the largest percentage held by any country. In 2017-18, IBIS World predicts domestic Industry revenue will increase by 2.7% to reach \$16.6 million, boosted by increased domestic production. Over the five years through 2022-23 however, it is forecast that revenue will decline by an annualised 1.8%, influenced by a stronger AUD and reduced global demand.

## 9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Kalia shares we have chosen to employ the following methodologies:

### 9.1 Valuation of Kalia Shares prior to the GRIT Transaction

In our assessment of the value of Kalia shares prior to the GRIT Transaction, we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary methodology as this represents the value that a Shareholder can receive for a share if sold on market.

We have also considered the capital raising price achieved in the capital raisings recently undertaken by Kalia.

We have chosen these methodologies for the following reasons:

- Kalia's primary asset, its existing interest in the Tore Project, does not currently generate any income nor are there any historical profits that could be used to represent future earnings, so the FME approach is not appropriate;
- Kalia currently has no foreseeable future net cash inflows, so the application of the DCF valuation approach is not appropriate;
- consequently, we have adopted the NAV approach as our primary valuation methodology. Kalia's primary asset, its interest in the Tore Project, is not a producing asset and no revenue or cash flows are currently generated by this asset and therefore we consider that the NAV approach is best suited for the valuation; and
- we have adopted QMP as our secondary approach. The QMP basis is a relevant methodology to consider because Kalia's shares are listed on the ASX. This means there is a regulated and observable market where Kalia's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed of the Company's activities.

### Independent specialist valuation

In valuing Kalia's interest in the Tore Project and its Australian mineral assets as part of our NAV valuation, we have relied on the independent specialist valuation performed by Agricola Mining Consultants Limited ('Agricola') in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets 2015 ('the Valmin Code') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 ('the JORC Code'). We are satisfied with the valuation methodologies adopted by Agricola, which we believe are in accordance with industry practice and compliant with the requirements of the Valmin Code. A copy of Agricola's valuation report is attached in Appendix 3.

## 9.2 Valuation of Kalia Shares following the GRIT Transaction

In our assessment of the value of a Kalia share following the GRIT Transaction, we have chosen to employ the NAV (sum-of-parts) as our primary valuation methodology, having consideration for:

- the value of Kalia's (increased) 75% interest in the Tore Project (placing reliance on Agricola's independent specialist valuation opinion);
- the value of the other assets and liabilities of Kalia; and
- the effect of the share issue as part of the GRIT Transaction on the number of issued shares of Kalia.

We note that the procurement of a \$3 million funding facility has been included in our assessment of fairness but it will comprise a notional asset (amount drawn down) and matching notional liability (borrowing) with no net effect on value. We have addressed the impact of the procurement of the funding facility in our assessment of reasonableness (section 14).

## 9.3 Security Transaction

In the case of the Security Transaction for the purpose of ASX Listing Rule 10.1, the value of the proceeds of the sale of the Secured Assets, that would be provided to Tygola in the event of default would be less than or equal to the value of the liabilities to be settled. Therefore, we do not consider it necessary or relevant to value the Company or the Assets. In our assessment of the value of the liabilities to be settled, we consider the nominal value of the amount payable in the event of default to represent the fair market value.

## 10. Valuation of Kalia prior to the GRIT Transaction

### 10.1 Net Asset Valuation of Kalia

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

| Statement of Financial Position        | Notes | Reviewed<br>as at<br>31-Dec-17<br>\$ | Low<br>valuation<br>\$ | Preferred<br>valuation<br>\$ | High<br>valuation<br>\$ |
|--|-------|--------------------------------------|------------------------|------------------------------|-------------------------|
| <b>CURRENT ASSETS</b>                  |       |                                      |                        |                              |                         |
| Cash and cash equivalents              | a     | 1,352,746                            | 821,028                | 821,028                      | 821,028                 |
| Trade and other receivables            |       | 99,132                               | 99,132                 | 99,132                       | 99,132                  |
| Other assets                           |       | 18,223                               | 18,223                 | 18,223                       | 18,223                  |
| <b>TOTAL CURRENT ASSETS</b>            |       | <b>1,470,101</b>                     | <b>938,383</b>         | <b>938,383</b>               | <b>938,383</b>          |
| <b>NON-CURRENT ASSETS</b>              |       |                                      |                        |                              |                         |
| Property Plant and Equipment           |       | 1,414                                | 1,414                  | 1,414                        | 1,414                   |
| Exploration and evaluation expenditure | b     | 313,033                              | 2,350,564              | 3,273,442                    | 4,201,742               |
| <b>TOTAL NON-CURRENT ASSETS</b>        |       | <b>314,447</b>                       | <b>2,351,978</b>       | <b>3,274,856</b>             | <b>4,203,156</b>        |
| <b>TOTAL ASSETS</b>                    |       | <b>1,784,548</b>                     | <b>3,290,361</b>       | <b>4,213,239</b>             | <b>5,141,539</b>        |
| <b>CURRENT LIABILITIES</b>             |       |                                      |                        |                              |                         |
| Trade and other payables               |       | 426,277                              | 426,277                | 426,277                      | 426,277                 |
| <b>TOTAL CURRENT LIABILITIES</b>       |       | <b>426,277</b>                       | <b>426,277</b>         | <b>426,277</b>               | <b>426,277</b>          |
| <b>TOTAL LIABILITIES</b>               |       | <b>426,277</b>                       | <b>426,277</b>         | <b>426,277</b>               | <b>426,277</b>          |
| <b>NET ASSETS</b>                      |       | <b>1,358,271</b>                     | <b>2,864,084</b>       | <b>3,786,962</b>             | <b>4,715,262</b>        |
| Shares on issue (number)               |       |                                      | 2,034,347,391          | 2,034,347,391                | 2,034,347,391           |
| Value per share (\$)                   |       |                                      | \$0.0014               | \$0.0019                     | \$0.0023                |

Source: BDO analysis

We have been advised by management that there have been no material changes in the consolidated statement of financial position since 31 December 2017, other than those outlined below. We have assumed that the fair market value of the assets and liabilities as at 31 December 2017, other than exploration and evaluation expenditure, is equal to the carrying value as set out in the above consolidated statement of financial position.

The table above indicates the net asset value of a Kalia share prior to the GRIT Transaction is between \$0.0014 and \$0.0023 with a preferred value of \$0.0019.

We note the following in relation to the valuation in the table above and the adjustments which were made to the net assets of Kalia as at 31 December 2017 in arriving at our valuation.

#### Note a: Cash and cash equivalents

We have adjusted the cash and cash equivalents balance to the 28 February 2018 balance per the management accounts of Kalia. We have agreed the balance for cash and cash equivalents to the relevant underlying documentation for Kalia including bank reconciliations.

The major cash impacts since 31 December 2017 are as follows:

|   |                |
|---|----------------|
| <b>Kalia Ltd</b>  |                |
| <b>Pre Transaction Cash Balance</b>                             | <b>\$</b>      |
| Cash and cash equivalents balance as at 31 December 2017        | 1,358,271      |
| Net cash movement in two months to 28 February 2018             | (537,243)      |
| <b>Cash and cash equivalents balance as at 28 February 2018</b> | <b>821,028</b> |

Cash and cash equivalents at 28 February 2018, was \$821,028 compared to \$1,358,271 at 31 December 2017. The decrease of \$537,246 was primarily the result of project development expenses of \$277,378 and salaries and directors' fees of \$129,391.

#### Note b: Exploration and evaluation expenditure

##### Valuation of the Tore Project and Australian Mineral Assets

We instructed Agricola to provide an independent market valuation of the exploration assets held by Kalia. Agricola considered a number of different valuation methods when valuing the exploration assets of Kalia.

Agricola adopted the following methodology:

- Comparable market transactions method; and
- Geo-Scientific method.

We consider these methods to be appropriate for Kalia's exploration assets, given the early stage of development for the both the Tore Project and the Australian Mineral Assets.

Full details of Agricola's valuation are provided in Appendix 3 to our Report.

The range of values for 100% of each of Kalia's exploration assets as assessed by Agricola is set out below:

| <b>Kalia Limited</b>                          | <b>Low value</b>  | <b>Preferred value</b> | <b>High value</b> |
|---|-------------------|------------------------|-------------------|
| <b>Mineral Asset Valuation</b>                | <b>\$ million</b> | <b>\$ million</b>      | <b>\$ million</b> |
| <b>Bougainville Projects</b>                  |                   |                        |                   |
| BEL03   | 1.950             | 2.960                  | 3.970             |
| BEL04   | 0.670             | 1.150                  | 1.640             |
| <b>Value of 100% of Bougainville Projects</b> | <b>2.62</b>       | <b>4.11</b>            | <b>5.61</b>       |

Source: Agricola

| <b>Kalia Limited</b>                        | <b>Low value</b>  | <b>Preferred value</b> | <b>High value</b> |
|---|-------------------|------------------------|-------------------|
| <b>Mineral Asset Valuation</b>              | <b>\$ million</b> | <b>\$ million</b>      | <b>\$ million</b> |
| <b>Australian Projects</b>                  |                   |                        |                   |
| Kimberly WA                                 | 0.170             | 0.185                  | 0.210             |
| Indiana NT                                  | 0.400             | 0.450                  | 0.500             |
| Ngalia NT                                   | 0.360             | 0.410                  | 0.450             |
| <b>Value of 100% of Australian Projects</b> | <b>0.930</b>      | <b>1.045</b>           | <b>1.160</b>      |

Source: Agricola

The combined value of the Bougainville Projects and the Australian Projects based on Kalia's ownership percentage of each, is shown below:

| Kalia Limited                          | Low value        | Preferred value  | High value       |
|--|------------------|------------------|------------------|
| Mineral Asset Valuation                | \$               | \$               | \$               |
| Value of 100% of Bougainville Projects | 2,620,000        | 4,110,000        | 5,610,000        |
| <i>Kalia's ownership percentage</i>    | <i>54.22%</i>    | <i>54.22%</i>    | <i>54.22%</i>    |
| <b>Value of Bougainville Projects</b>  | <b>1,420,564</b> | <b>2,228,442</b> | <b>3,041,742</b> |
| Value of 100% of Australian Projects   | 930,000          | 1,045,000        | 1,160,000        |
| <i>Kalia's ownership percentage</i>    | <i>100.00%</i>   | <i>100.00%</i>   | <i>100.00%</i>   |
| <b>Value of Australian Projects</b>    | <b>930,000</b>   | <b>1,045,000</b> | <b>1,160,000</b> |
| <b>Total Mineral Asset valuation</b>   | <b>2,350,564</b> | <b>3,273,442</b> | <b>4,201,742</b> |

Source: BDO and Agricola

The table above indicates a range of values between \$2.35 million and \$4.20 million, with a preferred value of \$3.27 million for Kalia's mineral assets.

### Consideration of dilution from exercise of options and performance rights

We have also addressed the impact on the valuation by considering the possible exercise of all options (and performance shares) currently on issue. We note that the options all have exercise prices in excess of our assessed value and so the exercise of these options is non-dilutive.

For the performance rights, exercise is dependent on future performance. For the Class A and Class B rights the performance milestone to be achieved for conversion is the announcement of a JORC 2012 compliant inferred resource. As this would indicate successful progress of the exploration assets we consider that conversion would not be dilutive. However, for the Class C rights, the performance milestone to be achieved is the grant of a licence in the Tinputz district of Bougainville and then funding, undertaking initial mapping and drilling on a Kalia Project. As this is more readily achievable we have addressed the dilutive effect of the conversion of Class C rights in the table below.

| NAV prior to the GRIT Transaction                       | Low value<br>A\$     | Preferred value<br>A\$ | High value<br>A\$    |
|---|----------------------|------------------------|----------------------|
| <b>Value of Kalia prior to the GRIT Transaction</b>     | <b>2,864,084</b>     | <b>3,786,962</b>       | <b>4,715,262</b>     |
| Number of shares on issue prior to the GRIT Transaction | 2,034,347,391        | 2,034,347,391          | 2,034,347,391        |
| Shares issued on exercise of Class C Rights             | 250,000,000          | 250,000,000            | 250,000,000          |
| <b>Total shares on issue after exercise of options</b>  | <b>2,284,347,391</b> | <b>2,284,347,391</b>   | <b>2,284,347,391</b> |
| <b>Value per share (\$)</b>                             | <b>\$0.0013</b>      | <b>\$0.0017</b>        | <b>\$0.0021</b>      |

We conclude that there is minimal impact on value.

## 10.2 Quoted Market Prices for Kalia Securities

To provide a comparison to the valuation of Kalia in Section 10.1, we have also assessed the quoted market price for a Kalia share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

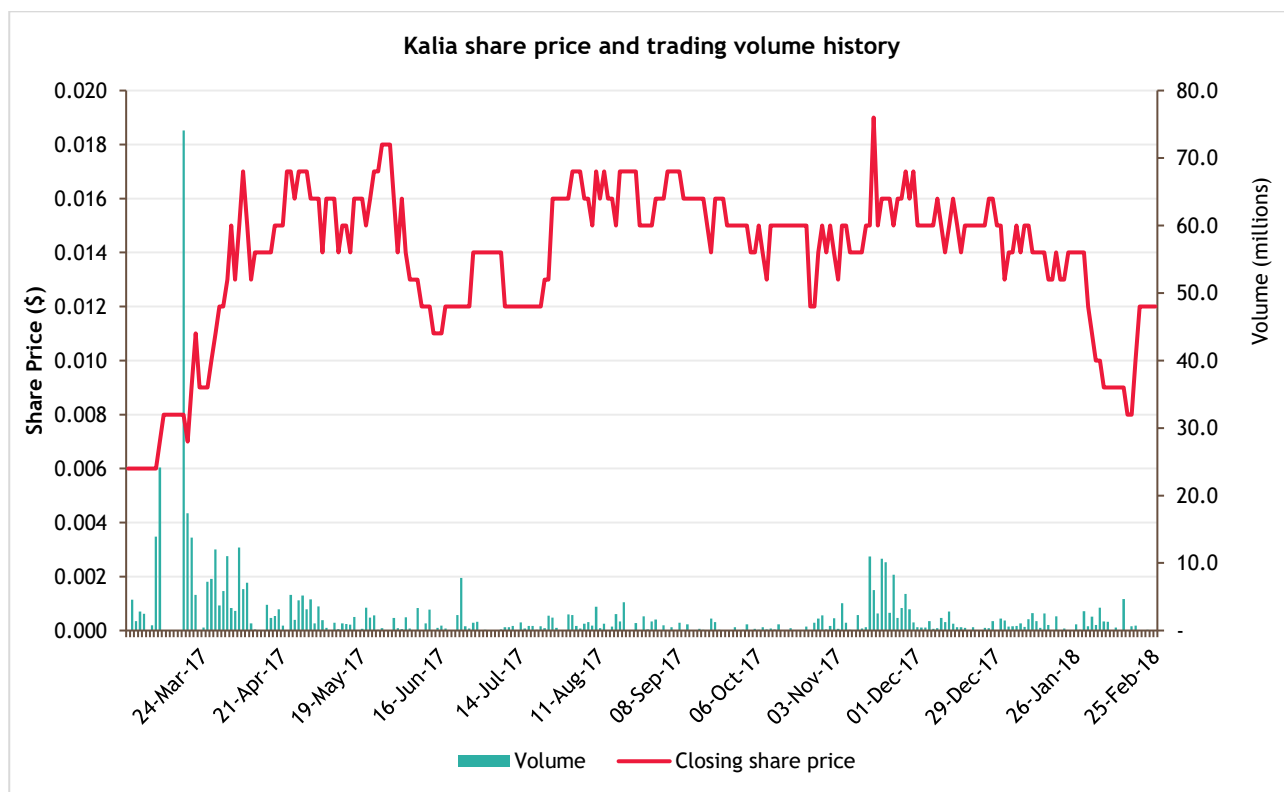
Whilst GRIT will not be obtaining 100% of Kalia, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. The expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 14.

Therefore, our calculation of the quoted market price of a Kalia share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

### Minority interest value

Our analysis of the quoted market price of a Kalia share is based on the pricing prior to the announcement of the GRIT Transaction. This is because the value of a Kalia share after the announcement may include the effects of any change in value as a result of the GRIT Transaction. However, we have considered the value of an Kalia share following the announcement when we have considered reasonableness in Section 14.

Information on the GRIT Transaction was announced to the market on 26 February 2018. Therefore, the following chart provides a summary of the share price movement over the 12 months to 25 February 2018 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Kalia shares from 25 February 2017 to 25 February 2018 has ranged from a low of \$0.006 on 8 March 2017 to a high of \$0.019 on 16 November 2017. The highest single day of trading was on 20 March 2017, when 74,093,100 shares were traded. The volume spike occurred on the same day that the Company announced that it signed a binding term sheet that granted the Company a 120-day option to acquire 72.29% of the shares in Kalia Holdings. Between April 2017 and December 2017 the share price fluctuated in a band between \$0.011 and \$0.019. Subsequent to this the share price declined to \$0.007 on 6 February 2018, before recovering to \$0.012 on 19 February 2018.

During this period a number of announcements were made to the market as set out in the table below. The key announcements are set out in the following paragraphs:

| Date       | Announcement   | Closing Share Price Following Announcement |   |      | Closing Share Price Three Days After Announcement |   |       |
|------------|--|--|---|------|---|---|-------|
|            |  | \$ (movement)                              |   |      | \$ (movement)                                     |   |       |
| 30/01/2018 | Quarterly Cashflow Report                              | 0.014                                      | ► | 0.0% | 0.010   | ▼ | 28.6% |
| 30/01/2018 | Quarterly Activities Report                            | 0.014                                      | ► | 0.0% | 0.010   | ▼ | 28.6% |
| 12/01/2018 | Appendix 3B - Option exercise                          | 0.014                                      | ► | 0.0% | 0.013   | ▼ | 7.1%  |
| 09/01/2018 | Exploration Land Access Agreement and Director Changes | 0.015                                      | ▲ | 7.1% | 0.014   | ▼ | 6.7%  |
| 27/12/2017 | Institutional Placement                                | 0.016                                      | ▲ | 6.7% | 0.015   | ▼ | 6.3%  |
| 12/12/2017 | Mt Tore Geophysics                                     | 0.014                                      | ▼ | 6.7% | 0.015   | ▲ | 7.1%  |
| 30/11/2017 | Investor Update  | 0.017                                      | ▲ | 6.3% | 0.015   | ▼ | 11.8% |



| Date       | Announcement  | Closing Share Price Following Announcement |   |      | Closing Share Price Three Days After Announcement |   |       |
|------------|---|--|---|------|---|---|-------|
|            |   | \$ (movement)                              |   |      | \$ (movement)                                     |   |       |
| 28/11/2017 | Results of Meeting                                    | 0.017                                      | ▲ | 6.3% | 0.015   | ▼ | 11.8% |
| 27/11/2017 | Toremana Joint Venture Project Geochemistry           | 0.016                                      | ► | 0.0% | 0.017   | ▲ | 6.3%  |
| 24/11/2017 | Exploration Licence Presentation                      | 0.016                                      | ▲ | 6.7% | 0.016   | ► | 0.0%  |
| 21/11/2017 | Response to ASX Appendix 5B query                     | 0.016                                      | ► | 0.0% | 0.016   | ► | 0.0%  |
| 17/11/2017 | KLH: Response to Kalia Announcement                   | 0.015                                      | ▼ | 21%  | 0.016   | ▲ | 7%    |
| 16/11/2017 | Granting of Exploration Licences                      | 0.019                                      | ▲ | 27%  | 0.016   | ▼ | 16%   |
| 16/11/2017 | Legal Action  | 0.019                                      | ▲ | 27%  | 0.016   | ▼ | 16%   |
| 30/10/2017 | Quarterly Cashflow Report                             | 0.015                                      | ▲ | 7%   | 0.014   | ▼ | 7%    |
| 30/10/2017 | Quarterly Activities Report                           | 0.015                                      | ▲ | 7%   | 0.014   | ▼ | 7%    |
| 27/10/2017 | Notice of Annual General Meeting/Proxy Form           | 0.014                                      | ▲ | 17%  | 0.015   | ▲ | 7%    |
| 27/10/2017 | Director Resignation                                  | 0.014                                      | ▲ | 17%  | 0.015   | ▲ | 7%    |
| 26/10/2017 | Appointment of Managing Director                      | 0.012                                      | ► | 0%   | 0.014   | ▲ | 17%   |
| 26/10/2017 | Becoming a substantial holder                         | 0.012                                      | ► | 0%   | 0.014   | ▲ | 17%   |
| 23/10/2017 | Placement and Cleansing Notice                        | 0.015                                      | ► | 0%   | 0.012   | ▼ | 20%   |
| 20/10/2017 | Becoming a substantial holder                         | 0.015                                      | ► | 0%   | 0.012   | ▼ | 20%   |
| 03/10/2017 | Change in substantial holding                         | 0.015                                      | ► | 0%   | 0.015   | ► | 0%    |
| 28/09/2017 | Board Changes   | 0.015                                      | ► | 0%   | 0.015   | ► | 0%    |
| 28/09/2017 | Appendix 3B   | 0.015                                      | ► | 0%   | 0.015   | ► | 0%    |
| 20/09/2017 | Change of Company Name and ASX Code                   | 0.014                                      | ▼ | 7%   | 0.016   | ▲ | 14%   |
| 18/09/2017 | Exercise of Option to Acquire Kalia Holdings Pty Ltd  | 0.016                                      | ► | 0%   | 0.016   | ► | 0%    |
| 14/09/2017 | Trading Halt  | 0.016                                      | ► | 0%   | 0.015   | ▼ | 6%    |
| 30/08/2017 | Appendix 4G Corporate Governance                      | 0.015                                      | ► | 0%   | 0.016   | ▲ | 7%    |
| 30/08/2017 | Annual Report to shareholders                         | 0.015                                      | ► | 0%   | 0.016   | ▲ | 7%    |
| 21/08/2017 | Results of Meeting                                    | 0.017                                      | ► | 0%   | 0.017   | ► | 0%    |
| 31/07/2017 | Quarterly Activities Report                           | 0.016                                      | ► | 0%   | 0.017   | ▲ | 6%    |
| 31/07/2017 | Quarterly Cashflow Report                             | 0.016                                      | ► | 0%   | 0.017   | ▲ | 6%    |
| 19/07/2017 | Notice of General Meeting/Proxy Form                  | 0.012                                      | ► | 0%   | 0.013   | ▲ | 8%    |
| 17/07/2017 | Extension of Option to Acquire Kalia Holdings         | 0.012                                      | ► | 0%   | 0.012   | ► | 0%    |
| 24/05/2017 | Drilling to commence at Mt Denison Copper-Gold target | 0.017                                      | ▲ | 6%   | 0.018   | ▲ | 6%    |
| 01/05/2017 | Change of Director's Interest Notice                  | 0.017                                      | ► | 0%   | 0.016   | ▼ | 6%    |
| 24/04/2017 | Quarterly Activities Report                           | 0.017                                      | ▲ | 13%  | 0.017   | ► | 0%    |
| 24/04/2017 | Quarterly Cashflow Report                             | 0.017                                      | ▲ | 13%  | 0.017   | ► | 0%    |
| 20/03/2017 | Reinstatement to Official Quotation                   | 0.007                                      | ▼ | 13%  | 0.009   | ▲ | 29%   |
| 20/03/2017 | Option to Acquire Kalia Holdings Pty Ltd              | 0.007                                      | ▼ | 13%  | 0.009   | ▲ | 29%   |
| 17/03/2017 | Voluntary suspension extension request                | 0.008                                      | ► | 0%   | 0.011   | ▲ | 38%   |

| Date       | Announcement                       | Closing Share Price Following Announcement |   |     | Closing Share Price Three Days After Announcement |   |    |
|------------|------------------------------------|--|---|-----|---|---|----|
|            |                                    | \$ (movement)                              |   |     | \$ (movement)                                     |   |    |
| 14/03/2017 | Suspension from Official Quotation | 0.008                                      | ► | 0%  | 0.008   | ► | 0% |
| 10/03/2017 | Trading Halt                       | 0.008                                      | ▲ | 14% | 0.008   | ► | 0% |
| 03/03/2017 | Half Year Accounts                 | 0.006                                      | ► | 0%  | 0.006   | ► | 0% |

Source: Bloomberg and the ASX

On 20 March 2017, the Company announced that it had signed a binding term sheet with Kalia Holdings and its shareholders that granted the Company a 120-day option to acquire 100% of the shares in Kalia Holdings. The share price decreased by 13% on the day of the announcement to close \$0.007, before increasing by 29% over the subsequent three-day period to close at \$0.009.

On 24 April 2017, the Company released its quarterly cash flow report and quarterly activities report, in which the Company highlighted continued preparations for a drill program on one of its Australian mineral assets. The share price increased 13% on the day of the announcement to close at \$0.017.

On 20 September 2017 the Company announced that it had completed change of company name from GB Energy Limited to Kalia Limited. The share price decreased by 7% on the day of the announcement to close at \$0.014, before increasing by 14% over the subsequent three-day period to close at \$0.016.

On 27 October 2017, the Company announced that Dr David Detata had resigned as a non-executive director. The Company also released its notice of Annual General Meeting, which included resolutions to adopt the Remuneration Report, approval a 10% placement facility and re-elect director Mr Nick Burn. The share price increased 17% on the day of the announcement to close at \$0.014, before increasing a further 7% over the subsequent three-day period to close at \$0.015.

On 30 October 2017, the Company released its quarterly cash flow report and quarterly activities statement, in which the Company highlighted key corporate activities including the completed acquisition of a 72.29% interest in Kalia Holdings. The share price increased by 7% on the day of the announcement to close at \$0.015, before decreasing by 7% over the subsequent three-day period to close at \$0.014.

On 16 November 2017, the Company announced that it had been granted exploration licenses EL03 and EL04, by the Autonomous Bougainville Government. The Company also released an announcement regarding legal action against Kalia, brought by Central Exploration Pty Ltd, Central Area Limited and RTG Mining Inc. On the day of the announcements the share price increased by 27% to close at \$0.019, before decreasing by 16% over the subsequent three-day period to close at \$0.016.

On 17 November 2017, the Company released an announcement made by RTG Mining Inc. in response Kalia's announcement on 16 November 2017. The share price decreased by 21% on the day of the announcement to close at \$0.015, before increasing 7% over the subsequent three-day period to close at \$0.016.

On 9 January 2018, the Company announced the signing of the Exploration Land Access Agreement as well as changes to the board, including the resignation of Mr Nick Burn and the appointment of Mr Peter Batten. The share price increased by 7.1% on the day of the announcement to close at \$0.015, before declining by 6.7% over the subsequent three-day period, to close at \$0.014.

To provide further analysis of the market prices for a Kalia share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 25 February 2018.

| Share Price per unit                 | 25-Feb-18 | 10 Days | 30 Days | 60 Days | 90 Days |
|--------------------------------------|-----------|---------|---------|---------|---------|
| Closing price                        | \$0.012   |         |         |         |         |
| Volume weighted average price (VWAP) |           | \$0.009 | \$0.011 | \$0.013 | \$0.014 |

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the GRIT Transaction to avoid the influence of any change in price of Kalia shares that has occurred since the GRIT Transaction was announced.

An analysis of the volume of trading in Kalia shares for the twelve months to 25 February 2018 is set out below:

| Trading days | Share price low | Share price high | Cumulative volume traded | As a % of Issued capital |
|--------------|-----------------|------------------|--------------------------|--------------------------|
| 1 Day        | \$0.012         | \$0.012          | -                        | 0.00%                    |
| 10 Days      | \$0.008         | \$0.013          | 6,601,004                | 0.32%                    |
| 30 Days      | \$0.007         | \$0.014          | 27,539,197               | 1.35%                    |
| 60 Days      | \$0.007         | \$0.016          | 52,850,570               | 2.60%                    |
| 90 Days      | \$0.007         | \$0.020          | 135,932,825              | 6.68%                    |
| 180 Days     | \$0.007         | \$0.020          | 200,409,043              | 9.85%                    |
| 1 Year       | \$0.005         | \$0.020          | 514,525,210              | 25.29%                   |

Source: Bloomberg, BDO analysis

This table indicates that Kalia's shares display a low level of liquidity, with 9.85% of the Company's current issued capital being traded in a six-month period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

Our assessment is that a range of values for Kalia shares based on market pricing, after disregarding post announcement pricing, is between \$0.0070 and \$0.0140.

## Control Premium

We have reviewed the control premiums paid by acquirers of general mining companies listed on the ASX. We have summarised our findings below:

| Year | Number of Transactions | Average Deal Value (AU\$m) | Average Control Premium (%) |
|------|------------------------|----------------------------|-----------------------------|
| 2018 | 2                      | 35.14                      | 79.63                       |
| 2017 | 3                      | 20.76                      | 32.90                       |
| 2016 | 13                     | 59.54                      | 74.92                       |
| 2015 | 9                      | 340.82                     | 57.86                       |
| 2014 | 15                     | 118.46                     | 47.88                       |
| 2013 | 17                     | 117.99                     | 63.99                       |
| 2012 | 18                     | 207.01                     | 52.45                       |
| 2011 | 21                     | 811.55                     | 37.42                       |
| 2010 | 21                     | 555.11                     | 50.61                       |
| 2009 | 20                     | 121.99                     | 50.44                       |
| 2008 | 18                     | 631.60                     | 33.19                       |

| Entire Data Set Metrics | Average Deal Value (AU\$m) | Average Control Premium (%) |
|-------------------------|----------------------------|-----------------------------|
| Mean                    | 347.41                     | 50.69                       |
| Median                  | 44.74                      | 39.66                       |

Source: Bloomberg

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

In the case of Kalia, we have taken a number of influencing factors into account. Specifically, we note that Kalia's auditor outlined the existence of material uncertainty related to going concern in the Company's Annual Report for the year ended 30 June 2017 and for the half year ended 31 December 2017.

Further, we note Kalia does not currently have any revenue generating operations and the Company is in its exploration phase and has a smaller scale of operations than a number of the sample companies determined above. We note that larger companies and transactions tended to have a higher control premium. As such, a potential acquirer would not be expected to pay a premium for control as high as historical averages.

In addition to the above, we have also considered the level of liquidity based on post-announcement activity (refer section 14.3).

Based on the above analysis, we consider an appropriate premium for control for Kalia to be in the range of 20% to 25%, with a midpoint of 22.5%.

### Quoted market price including control premium

Applying a control premium to Kalia's quoted market share price results in the following quoted market price value including a premium for control:

| Kalia Limited  | Low           | Midpoint      | High          |
|--|---------------|---------------|---------------|
| Pre Transaction QMP  | \$            | \$            | \$            |
| Quoted market price value  | 0.0070        | 0.0110        | 0.0140        |
| Control premium  | 20%           | 22.5%         | 25%           |
| <b>Quoted market price valuation including a premium for control</b> | <b>0.0080</b> | <b>0.0130</b> | <b>0.0180</b> |

Source: BDO analysis

Therefore, our valuation of a Kalia share based on the quoted market price method and including a premium for control is between \$0.0080 and \$0.0180, with a midpoint value of \$0.0130.

### 10.3 Market based assessment - capital raising price

To provide a further comparison to the valuation of a share in Kalia prior to the GRIT Transaction, we have assessed the value of a share in Kalia using a market valuation based on recent capital raisings conducted by the Company.

As announced on 23 October 2017, the Company issued 100 million shares at \$0.0120 to raise a total of \$1.2 million before costs.

As announced on 27 December 2017, the Company issued 80 million shares at \$0.0140 to raise a total of \$1.12 million before costs.

We note that on the announcement date of the first placement, Kalia's closing share price was \$0.0150 therefore the capital raising price represents a 20.0% discount to the then-current trading price.

We note that on the announcement date of the second placement; Kalia's closing share price was \$0.0160, therefore the capital raising price represented a 12.5% discount to the then-current trading price.

We do not consider the issue price of the capital raisings undertaken in October 2017 and December 2017 to represent an accurate reflection of a current value per share in Kalia. This is because at current trending share price levels (refer section 13.3), it is unlikely Kalia would be able to undertake a capital raising at the same issue price as the most recent capital raising of \$0.0140.

Applying a 20% discount, being the discount experienced in the December 2017 capital raising undertaken by Kalia, to the QMP value derived in Section 10.2. gives a value range of \$0.0056 to \$0.0112.

## 10.4 Conclusion on Assessment of the value of Kalia share pre the GRIT Transaction

The results of our valuation of a Consideration Share prior to the GRIT Transaction are summarised in the table below:

| Kalia Limited<br>Valuation Summary | Low<br>\$ | Midpoint<br>\$ | High<br>\$ |
|------------------------------------|-----------|----------------|------------|
| NAV of Kalia                       | 0.0014    | 0.0019         | 0.0023     |
| QMP methodology                    | 0.0080    | 0.0130         | 0.0180     |

Source: BDO analysis

We note the values obtained under the QMP methodology and the Capital Raising price are higher than the values obtained from the NAV methodology. The difference in values may be explained by the following:

- it is not uncommon for exploration companies to trade at a premium to their intrinsic value. This is because investors in mining exploration companies typically anticipate some potential upside of ‘blue sky’ prospects for the company, which are factored into the share price in advance of any such value being realised;
- our NAV valuation includes an independent valuation of Kalia’s mineral assets performed by Agricola. Agricola have adopted a combination of valuation methodologies. Depending on the assumptions used, investors may yield a higher value than that derived from the Agricola assessment; and
- the QMP value reflects investors’ perception of the future prospects of Kalia’s mineral assets, and as such, may reflect a more positive sentiment towards future commodity prices.

Ultimately, the value of a share in a company is equal to the price at which a knowledgeable and willing, but not anxious, buyer, transacts with a knowledgeable and willing, but not anxious seller, acting at arm’s length. In the case of a listed company, this price is reflected in the company’s share price or QMP. However, in order for the QMP methodology to be considered appropriate for the purposes of a valuation, the market for the company’s shares should be liquid, active and fully informed on the company’s activities. On the basis of the level of trading Kalia shares over the last twelve months the shares are not liquid which suggests that the QMP methodology may not be the most appropriate for the purposes of the valuation.

Based on our discussion above, we consider the value of a Kalia share prior to the GRIT Transaction is in the range from \$0.0014 to \$0.0023 with a preferred value of \$0.0019.

## 11. Valuation of Kalia following the GRIT Transaction

### 11.1 Net Asset Valuation of Kalia

As discussed in section 9, we have relied on the NAV methodology in determining the value of a Kalia share following approval of the GRIT Transaction.

Our valuation of Kalia following the GRIT Transaction is summarised below.

| Statement of Financial Position          | Notes | Reviewed<br>as at<br>31-Dec-17<br>\$ | Low<br>valuation<br>\$ | Preferred<br>valuation<br>\$ | High<br>valuation<br>\$ |
|--|-------|--------------------------------------|------------------------|------------------------------|-------------------------|
| <b>CURRENT ASSETS</b>                    |       |                                      |                        |                              |                         |
| Cash and cash equivalents                | a     | 1,352,746                            | 3,821,028              | 3,821,028                    | 3,821,028               |
| Trade and other receivables              |       | 99,132                               | 99,132                 | 99,132                       | 99,132                  |
| Other assets                             |       | 18,223                               | 18,223                 | 18,223                       | 18,223                  |
| <b>TOTAL CURRENT ASSETS</b>              |       | <b>1,470,101</b>                     | <b>3,938,383</b>       | <b>3,938,383</b>             | <b>3,938,383</b>        |
| <b>NON-CURRENT ASSETS</b>                |       |                                      |                        |                              |                         |
| Property Plant and Equipment             |       | 1,414                                | 1,414                  | 1,414                        | 1,414                   |
| Exploration and evaluation expenditure   | b     | 313,033                              | 2,895,000              | 4,127,500                    | 5,367,500               |
| <b>TOTAL NON-CURRENT ASSETS</b>          |       | <b>314,447</b>                       | <b>2,896,414</b>       | <b>4,128,914</b>             | <b>5,368,914</b>        |
| <b>TOTAL ASSETS</b>                      |       | <b>1,784,548</b>                     | <b>6,834,797</b>       | <b>8,067,297</b>             | <b>9,307,297</b>        |
| <b>CURRENT LIABILITIES</b>               |       |                                      |                        |                              |                         |
| Trade and other payables                 |       | 426,277                              | 426,277                | 426,277                      | 426,277                 |
| <b>TOTAL CURRENT LIABILITIES</b>         |       | <b>426,277</b>                       | <b>426,277</b>         | <b>426,277</b>               | <b>426,277</b>          |
| <b>NON-CURRENT LIABILITIES</b>           |       |                                      |                        |                              |                         |
| Loan Facility                            | a     | -                                    | 3,000,000              | 3,000,000                    | 3,000,000               |
| <b>TOTAL NON-CURRENT LIABILITIES</b>     |       | <b>-</b>                             | <b>3,000,000</b>       | <b>3,000,000</b>             | <b>3,000,000</b>        |
| <b>TOTAL LIABILITIES</b>                 |       | <b>426,277</b>                       | <b>3,426,277</b>       | <b>3,426,277</b>             | <b>3,426,277</b>        |
| <b>NET ASSETS</b>                        |       | <b>1,358,271</b>                     | <b>3,408,520</b>       | <b>4,641,020</b>             | <b>5,881,020</b>        |
| Shares on issue (number)                 | c     |                                      | 2,514,347,391          | 2,514,347,391                | 2,514,347,391           |
| Value per share (\$) - controlling basis |       |                                      | \$0.0014               | \$0.0018                     | \$0.0023                |
| Minority Discount                        | d     |                                      | 20%                    | 18%                          | 17%                     |
| Value per share (\$) - minority basis    |       |                                      | \$0.0011               | \$0.0015                     | \$0.0019                |

Source: BDO analysis

The table above indicates the net asset value of a Kalia share following the GRIT Transaction on a minority basis is between \$0.00011 and \$0.0019 with a preferred value of \$0.0015. The following adjustments were made to the net assets of Kalia as at 31 December 2017 in arriving at our valuation of the Company following the GRIT Transaction.

#### Note a: Cash and cash equivalents and loan liability

Cash and cash equivalents following the transaction are shown in the table below:

| Kalia Ltd  |                  |
|--|------------------|
| Post Transaction Cash Balance  | \$'000s          |
| Cash and cash equivalents balance as at 31 December 2017                     | 1,352,746        |
| Adjustments (operational expenditure for the two months to 28 February 2018) | (531,718)        |
| <b>Cash and cash equivalents balance as at 28 February 2018</b>              | <b>821,028</b>   |
| Cash available from Tygola Loan  | 3,000,000        |
| <b>Notional cash and cash equivalents balance after Tygola Loan</b>          | <b>3,821,028</b> |

Cash and cash equivalents at 28 February 2018, was \$821,028 compared to \$1,358,271 at 31 December 2017. The decrease of \$537,246 was primarily the result of project development expenses of \$277,378 and salaries and directors' fees of \$129,391.

We have included this facility in the above assessment but with a nil net effect on value - additional cash of \$3 million (notional drawn down amount) and additional liability of \$3 million (notional loan liability).

#### Note b: Exploration and evaluation expenditure

##### Valuation of the Tore Project and Australian Mineral Assets

As stated in section 10.1 of our Report, we instructed Agricola to provide an independent market valuation of the Tore Project and Australian Mineral Assets.

The range of values for 100% of each of Kalia's exploration assets as assessed by Agricola is set out below:

| Kalia Limited                                 | Low value    | Preferred value | High value   |
|---|--------------|-----------------|--------------|
| Mineral Asset Valuation                       | \$ million   | \$ million      | \$ million   |
| <b>Bougainville Projects</b>                  |              |                 |              |
| EL03  | 1.950        | 2.960           | 3.970        |
| EL04  | 0.670        | 1.150           | 1.640        |
| <b>Value of 100% of Bougainville Projects</b> | <b>2.620</b> | <b>4.110</b>    | <b>5.610</b> |

Source: BDO analysis and Agricola

| Kalia Limited                               | Low value    | Preferred value | High value   |
|---|--------------|-----------------|--------------|
| Mineral Asset Valuation                     | \$ million   | \$ million      | \$ million   |
| <b>Australian Projects</b>                  |              |                 |              |
| Kimberly WA                                 | 0.170        | 0.185           | 0.210        |
| Indiana NT                                  | 0.400        | 0.450           | 0.500        |
| Ngalia NT                                   | 0.360        | 0.410           | 0.450        |
| <b>Value of 100% of Australian Projects</b> | <b>0.930</b> | <b>1.045</b>    | <b>1.160</b> |

Source: BDO analysis and Agricola



The combined valuation of the Bougainville Projects and the Australian Projects based on Kalia's ownership percentage of each, is shown below:

| Kalia Limited  | Low value        | Preferred value  | High value       |
|--|------------------|------------------|------------------|
| Mineral Asset Valuation                                | \$               | \$               | \$               |
| Value of 100% of Bougainville Projects                 | 2,620,000        | 4,110,000        | 5,610,000        |
| <i>Kalia's ownership percentage (increased to 75%)</i> | <i>75.00%</i>    | <i>75.00%</i>    | <i>75.00%</i>    |
| <b>Value of Bougainville Projects</b>                  | <b>1,965,000</b> | <b>3,082,500</b> | <b>4,207,500</b> |
| Value of 100% of Australian Projects                   | 930,000          | 1,045,000        | 1,160,000        |
| <i>Kalia's ownership percentage</i>                    | <i>100.00%</i>   | <i>100.00%</i>   | <i>100.00%</i>   |
| <b>Value of Australian Projects</b>                    | <b>930,000</b>   | <b>1,045,000</b> | <b>1,160,000</b> |
| <b>Total Mineral Asset valuation</b>                   | <b>2,895,000</b> | <b>4,127,500</b> | <b>5,367,500</b> |

Source: BDO analysis and Agricola

The table above indicates a range of values between \$2.90 million and \$5.37 million, with a preferred value of \$4.13 million.

#### Note c: Number of shares on issue

In determining a valuation per share for Kalia following the GRIT Transaction, we adjusted the number of shares on issue to reflect the new Consideration Shares to be issued to GRIT as part of the GRIT Transaction. The number of fully paid ordinary Kalia shares that will be on issue following the GRIT Transaction will be 2,514,347,391.

| Kalia Ltd   |                      |
|---|----------------------|
| Post Transaction Shareholding                                       |                      |
| Number of shares as at date of our Report                           | 2,034,347,391        |
| Share Acquisition   | 480,000,000          |
| <b>Total number of Kalia shares following the GRIT Transactions</b> | <b>2,514,347,391</b> |

Source: BDO analysis

#### Consideration of dilution from exercise of options and performance rights

As for the value of a Kalia prior to the GRIT Transaction, we have also addressed the impact on the valuation by considering the possible exercise of all options (and performance shares) currently on issue. We note that the options all have exercise prices in excess of our assessed value and so the exercise of these options is non-dilutive.

For the performance rights, exercise is dependent on future performance. For the Class A and Class B rights the performance milestone to be achieved for conversion is the announcement of a JORC 2012 compliant inferred resource. As this would indicate successful progress of the exploration assets we consider that conversion would not be dilutive. However, for the Class C rights, the performance milestone to be achieved is the grant of a licence in the Tinputz district of Bougainville and then funding,

undertaking initial mapping and drilling on a Kalia Project. As this is more readily achievable we have addressed the dilutive effect of the conversion of Class C rights in the table below.

| NAV following the GRIT Transaction  | Ref          | Low<br>value<br>A\$ | Preferred<br>value<br>A\$ | High<br>value<br>A\$ |
|---|--------------|---------------------|---------------------------|----------------------|
| <b>Value of Kalia post the GRIT Transaction</b>                           |              | <b>3,408,520</b>    | <b>4,641,020</b>          | <b>5,881,020</b>     |
| Discount for minority interest  | Section 10.2 | 20%                 | 18%                       | 17%                  |
| <b>Value of Kalia post the GRIT Transaction (minority interest basis)</b> |              | <b>2,726,816</b>    | <b>3,805,636</b>          | <b>4,881,247</b>     |
| Number of shares on issue post the GRIT Transaction                       | Section 5.4  | 2,514,347,391       | 2,514,347,391             | 2,514,347,391        |
| Shares issued on conversion of Class C rights                             |              | 250,000,000         | 250,000,000               | 250,000,000          |
| Total shares on issue after exercise of options                           |              | 2,764,347,391       | 2,764,347,391             | 2,764,347,391        |
| <b>Value per share (\$)</b>   |              | <b>\$0.0010</b>     | <b>\$0.0014</b>           | <b>\$0.0018</b>      |

We conclude that there is minimal impact on value.

#### Note d: Minority Discount

As outlined in section 9 of our Report, in assessing fairness we have compared the value of a Kalia share prior to the GRIT Transaction on a control basis to the value of a Kalia share following the GRIT Transaction on a minority interest basis.

A minority interest discount is the inverse of a premium for control and is calculated using the formula  $1 - (1 \div (1 + \text{control premium}))$ . As discussed in section 10.2, we consider an appropriate control premium for Kalia to be in the range of 20% to 25%, giving a minority interest discount in the range of 17% to 20%.

## **12. Valuation of security provided and liabilities settled**

### **12.1 Value of security provided as security in event of default**

Kalia will provide Tygola with a first ranking general security over all the assets of the Company under a security agreement to secure repayment of the Tygola Loan. In the event of default, Tygola would only be entitled to recover the principal and interest accrued of the Tygola Loan and not all the proceeds from the sale of the Company's assets. Therefore, we do not need to consider the value of the Company or its assets for this purpose as Tygola will not receive more than the value of the liability if the security is called. We consider the value of security provided to be less than or equal to the value of the liabilities settled.

### **12.2 Value of liabilities settled by the provision of the security**

In the event the Company is in breach of the terms of the Tygola Loan, an event of insolvency occurs in respect of the Company or Kalia fails to perform any covenant, agreement or obligation under the Tygola Loan and which remains unperformed following expiry of any cure period, Tygola is entitled to seek repayment of the amount outstanding in respect of the Tygola Loan by the sale of the assets secured by the deed. Interest is calculated at a rate of 10 per cent per annum. The nominal value of the total secured amount (including amounts relating to the principal funds drawn down and interest accrued) represents the valuation of liabilities settled by the provision of security.

### 13. Are the Proposed Transactions fair?

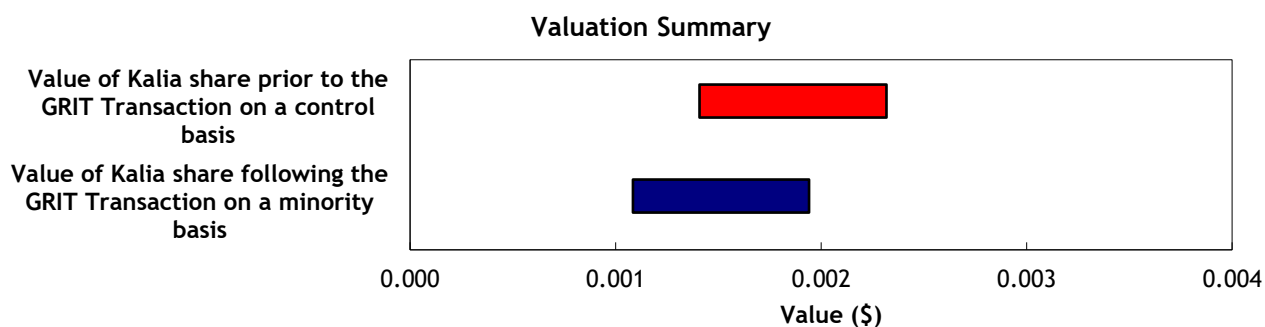
#### GRIT Transaction

The value of Kalia share prior to the GRIT Transaction on a control basis compares to the value of a Kalia share following the GRIT Transaction on a minority interest basis, as detailed below:

|   | Ref | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|---|-----|-----------|-----------------|------------|
| Value of Kalia share prior to the GRIT Transaction on a control basis   | 10  | 0.0014    | 0.0019          | 0.0023     |
| Value of Kalia share following the GRIT Transaction on a minority basis | 11  | 0.0011    | 0.0015          | 0.0019     |

We note from the table above that overall the value prior to the GRIT Transaction on a control basis is greater than the value following the GRIT Transaction on a minority basis. Therefore, we consider that the GRIT Transaction is not fair.

The above value ranges are graphically presented below:



## Security Transaction

As stated in section 12, the Security Transaction is fair if the value of the security provided is equal to or less than the value of the liabilities settled in the event of default under the Tygola Loan. In the scenario that the value of the Secured Assets is greater than or equal to the amounts owed to Tygola, and there is an event of default, then Tygola would only be entitled to recover the principal and interest accrued under the Tygola Loan. In a scenario that the value of the Company's Assets is less than the amounts owed to Tygola, in an event of default, then the Company's Assets would be sold and the proceeds provided to Tygola. This can be summarised as follows:

| Scenario          |   |                           | Consequence       |   |                           | Fairness |
|-------------------|---|---------------------------|-------------------|---|---------------------------|----------|
| Security Provided | > | Liabilities To Be Settled | Security Provided | = | Liabilities To Be Settled | Fair     |
| Security Provided | = | Liabilities To Be Settled | Security Provided | = | Liabilities To Be Settled | Fair     |
| Security Provided | < | Liabilities To Be Settled | Security Provided | < | Liabilities To Be Settled | Fair     |

Source: BDO analysis

If there is an event of default, then Tygola is only entitled to be repaid the principal and interest accrued under the Tygola Loan, we consider that the Security Transaction is fair in all scenarios.

## 14. Are the Proposed Transactions reasonable?

### 14.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Kalia a premium over the value ascribed to, resulting from the Proposed Transactions.

### 14.2 Practical Level of Control

If the GRIT Transaction is approved, GRIT (and its associates or persons with a deemed relevant interest through their shareholding interest in GRIT) will hold an interest of approximately 21.68% in Kalia on an undiluted basis. In addition to this, GRIT will have the right to nominate a fit and proper person to hold a non-executive directorship on the board of the Company.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution requires 75% of shares on issue to be voted in favour to approve a matter. If the GRIT Transaction is approved, then GRIT will not be able to block special or general resolutions.

Kalia's Board currently comprises three directors. GRIT will nominate one additional director which will take Kalia's Board to four directors. This means that GRIT nominated directors will make up 25% of the Board.

GRIT's control of Kalia following the GRIT Transaction will be significant when compared to all other shareholders. GRIT (and its associates or persons with a deemed relevant interest through their shareholding interest in GRIT) will hold approximately 21.68% of the shares. Therefore, in our opinion, while GRIT will still be able to exercise some influence over the Company, it will not be able to control the Company as if it held 100% of Kalia

### 14.3 Consequences of not Approving the Proposed Transactions

#### The Company will have to attract funds from elsewhere

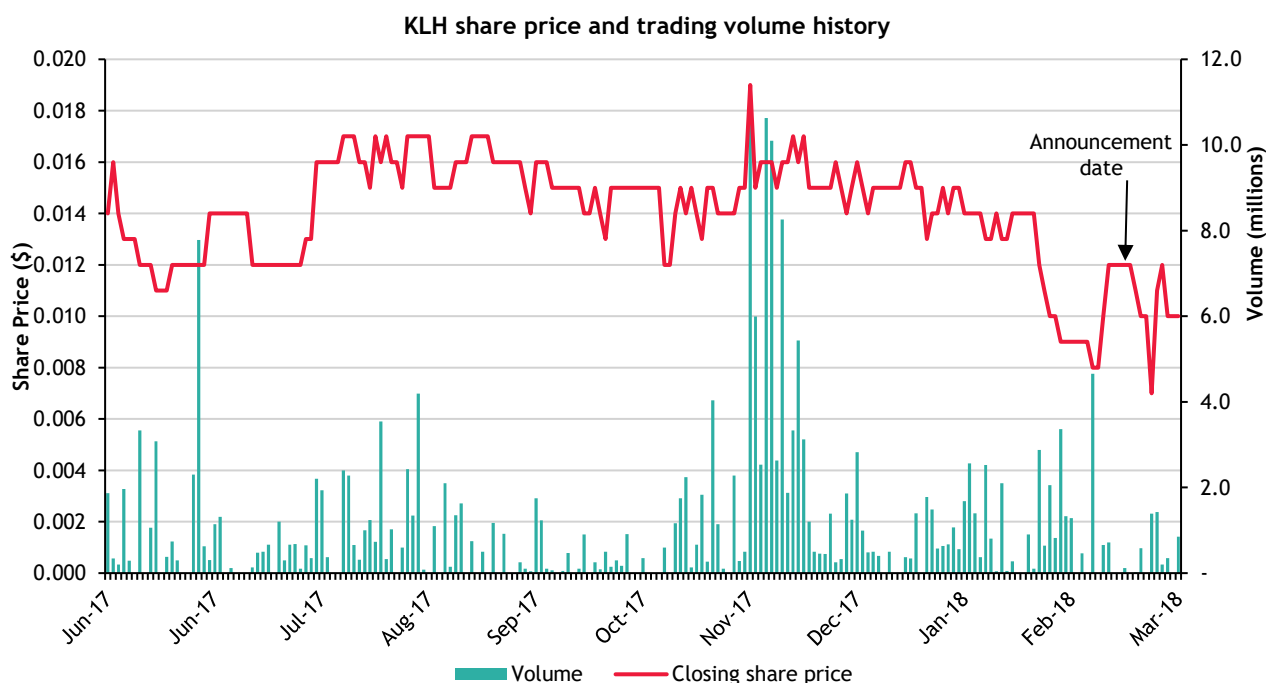
Kalia's auditor outlined the existence of material uncertainty relating to going concern in Kalia's Annual Report for year ended 30 June 2017; specifically, the material uncertainty related to the Company's working capital deficiency. The auditor's review report for the half-year ended 31 December 2017 also outlined the existence of a material uncertainty related to going concern. In Note 1 to the 31 December 2017 financial statements the directors note that Kalia will need to secure sources of external funding before the end of April 2018 to enable it to continue to meet its liabilities as and when they fall due.

If the Proposed Transactions are not approved, the Directors of Kalia will need to raise funds through alternative methods, this may include other capital raisings, debt funding and/or asset sales. As noted in section 14.1 above, we are unaware of any alternative proposals available to the Company.

The requirement to raise additional funds is imminent and represents a serious challenge for the Company if the Proposed Transactions are not approved.

#### Potential decline in share price

We have analysed movements in Kalia's share price since the GRIT Transaction was announced on 26 February 2018. A graph of the Company's share price and trade volume leading up to and following the announcement of the GRIT Transaction is set out below:



Source: Bloomberg

On the day of the announcement, Kalia's share price closed at \$0.011, down from \$0.012 on 23 February 2018, the last trading day prior to the announcement. In the days following the announcement the share

price fell, closing at \$0.007 on 1 March 2018, before recovering to close at \$0.012 on 5 March 2018. Given the above analysis it is possible that if the Proposed Transactions are not approved then Kalia's share price is unlikely to decline.

## 14.4 Advantages of Approving the Proposed Transactions

### GRIT Transaction

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

| Advantage   | Description  |
|---|--|
| Contingent on the GRIT Transaction receiving shareholder approval, the Company will gain access to a \$3 million loan facility to continue operating (going concern issue). | Contingent on the GRIT Transaction receiving shareholder approval, Kalia will have additional funds, which will enable it to meet its working capital requirements and fund future project and exploration expenditure. Access to the Tygola Loan will provide the Company with an avenue to overcome its immediate solvency and going concern issues (refer section 14.3 above). We note that the \$3 million loan is due for repayment by 31 December 2018 which means that it would potentially need to be refinanced or sufficient equity would need to be raised by this date.      |
| More efficient administration and management from consolidating the ownership of the Tore Project   | <p>Following completion of the GRIT Transaction, Kalia will move from holding 54.22% of the Tore Project to holding 75% of the Tore Project. The remaining 25% is held by the landowners, Toremena, a local indigenous landowner group.</p> <p>The consolidation of ownership from 54.22% to 75% enables Kalia to execute its operational and corporate strategies to advance exploration at the Tore Project more efficiently.</p>  |
| Project finance should be less complex to negotiate and more likely to be obtained with consolidated ownership.   | The GRIT Transaction eliminates some of the complexities in negotiating project finance which requires unanimous consent from all of the parties. This means it is more likely that project finance will be obtained more readily.   |
| Reduces the possibility of future capital raisings being at a lower price per share   | If the GRIT Transaction is approved it will provide the Company with time to undertake exploration which, if positive, may enhance the value of the Company and as a consequence will reduce the possibility of Kalia having to pursue future capital raisings at a lower price per share which would further dilute the existing shareholders' interests for the same amount of funds raised.   |
| Additional expertise on Board   | As a result of the GRIT Transaction GRIT will have representation on the Kalia Board providing additional expertise and experience to develop Kalia's projects.  |
| Assistance from GRIT as a cornerstone investor, under the Terms of the Deed   | Under the terms of the Deed signed 29 March 2018, GRIT will provide Kalia with strategic services and access to technical, financing, construction, commissioning and operational skills. The Deed is only effective if GRIT holds more than a relevant interest of 10% of the issued share capital of the Company. As at the date of this Report, GRIT (and its associates or persons with a deemed relevant interest through their shareholding interest in GRIT) hold a relevant interest of 3.20%. Following the GRIT transaction, GRIT (and its associates or persons with a deemed |

| Advantage | Description   |
|-----------|---|
|           | relevant interest through their shareholding interest in GRIT) will hold a relevant interest of 21.68%. The terms of the Deed can be found in the Transaction Document under Section 1.3. |

## Security Transaction

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

| Advantage                        | Description  |
|----------------------------------|--|
| The Security Transaction is fair | The Security Transaction is fair. RG 111 states that an offer is reasonable if it is fair.   |
| Supports debt funding            | The provision of security enables the Company to obtain the debt funding that it requires. If Kalia seeks alternate funding through bank debt, it is more likely that there will be a requirement to furnish adequate collateral to secure the bank debt. Therefore, the provision of security for debt funding purposes is not unusual. |

## 14.5 Disadvantages of Approving the Proposed Transactions

### GRIT Transaction

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

| Disadvantage                                 | Description  |
|--|--|
| The transaction is not fair                  | The GRIT Transaction is not fair for Shareholders as the value of a Kalia share following the GRIT Transaction on a minority interest basis is lower than the value of a Kalia share prior to the GRIT Transaction on a control basis.   |
| Dilution of existing shareholders' interests | <p>If the GRIT Transaction is approved, 480 million shares will be issued to GRIT. The share issue will have a dilutive effect on the current holdings of Shareholders. As described in section 4, Shareholders' holdings will be diluted from 96.80% (GRIT and its associates or persons with a deemed relevant interest through their shareholding interest in GRIT, currently hold 3.20%) to 78.32% if the Transaction is approved.</p> <p>However, this is offset by the improved alignment between the interests of GRIT and the interests of Shareholders. Rather than GRIT participating in the Tore Project through a 27.71% interest in Kalia Holdings, that interest is transformed into a proportional shareholding interest in Kalia as a whole.</p> |



| Disadvantage | Description  |
|--------------|--|
|              | Prior to the GRIT Transaction, Shareholders have a 52.48% (96.80% of 54.22%) participation in the Tore Project. Following the GRIT Transaction, Shareholders will have a 58.74% (78.32% of 75%) participation in the Tore Project. |

## Security Transaction

| Disadvantage   | Description   |
|--|---|
| Kalia will grant Tygola a first ranking security over all the assets of the Company to secure the Loan | In the Event of Default by the Company, Tygola may enforce the security and require that Kalia sell the secured assets in order to repay the monies outstanding under the Loan Agreement. |
| Onerous restrictions on dealing with the Company's assets  | The security agreement that Kalia and Tygola will enter into subject to Shareholder approval will place restrictions on the Company's ability to deal with its assets.                    |

## 15. Conclusion

We have considered the terms of the Proposed Transactions as outlined in the body of this report and have concluded that:

- in the absence of an alternate offer, **the GRIT Transaction is not fair but reasonable to Shareholders.**
- In the absence of any other relevant information, **the Security Transaction is fair and reasonable to Shareholders.**

In our opinion, the GRIT Transaction is not fair because the value of a Kalia share following the GRIT Transaction on a minority basis is less than the value of a Kalia share prior to the GRIT Transaction on a control basis.

However, we consider the GRIT Transaction to be reasonable because the advantages of the GRIT Transaction to Shareholders are greater than the disadvantages. In particular:

- Access to the Tygola Loan which will allow the Company to continue as a going concern and to progress its exploration activities on the targets at Melilup, Rarie Puspa and Kunua;
- More efficient administration and management of the Tore Project; and
- Project finance less complex to negotiate.

We have separately considered the terms of the Security Transaction as outlined in the body of this report and have concluded that, in the absence of any other relevant information, the Security Transaction is fair and reasonable to Shareholders.

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## 16. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Kalia for the years ended 30 June 2016 and 30 June 2017
- Reviewed half year accounts of Kalia for the period ended 31 December 2017;
- Independent Valuation Report of Kalia's mineral assets dated 12 March 2018 performed by Agricola Mining Consultants;
- Signed Agreement for sale of shares by GRIT dated 22 February 2018;
- Signed loan term sheet with Tygola Pty Ltd dated 23 February 2018;
- Share registry information;
- Information in the public domain:
  - ASX announcements;
  - United States Geological Survey publication;
  - IBISWorld Report;
  - Autonomous Bougainville Government announcements;
  - Reserve Bank of Australia monthly statement;
  - Consensus Economics publication;
  - Bloomberg data.; and
- Discussions with Directors and Management of Kalia.

## 17. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$22,000 (excluding GST and reimbursement of out of pocket expenses). Our fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Kalia in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Kalia, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement, BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Kalia Limited and GRIT and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Kalia Limited and GRIT and their respective associates.

Within the past two years, neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd have had any professional relationship with Kalia Limited or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Kalia Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

## 18. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Chartered Accountants Australia & New Zealand. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 19. Disclaimers and consents

This report has been prepared at the request of Kalia Limited for inclusion in the Explanatory Memorandum and Notice of Meeting which will be sent to all Kalia Limited Shareholders. Kalia Limited engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the Proposed Transactions. You will be provided with a copy of our report as a retail client because you are a shareholder of Kalia.

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

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum and Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Kalia Holdings. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

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

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

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

The valuer engaged for the mineral asset valuation, Agricola Mining Consultants, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

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

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

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



**Sherif Andrawes**

Director



**Adam Myers**

Director

# Appendix 1 - Glossary of Terms

| Reference                 | Definition  |
|---------------------------|---|
| ABG                       | Autonomous Bougainville Government  |
| The Act                   | The Corporations Act 2001 Cth   |
| Agricola                  | Agricola Mining Consultants Pty Ltd   |
| APES 225                  | Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' |
| ASIC                      | Australian Securities and Investments Commission  |
| ASX                       | Australian Securities Exchange  |
| Australian Mineral Assets | Kalia Limited's collective mineral assets located in Australia  |
| BDO                       | BDO Corporate Finance (WA) Pty Ltd  |
| BEL03                     | Bougainville Exploration Licence 03   |
| BEL04                     | Bougainville Exploration Licence 04   |
| Bougainville              | Autonomous Region of Bougainville   |
| The Company               | Kalia Limited   |
| Corporations Act          | The Corporations Act 2001 Cth   |
| DCF                       | Discounted Future Cash Flows  |
| The Deed                  | Strategic Relationship Deed with GRIT signed 29 March   |
| EBIT                      | Earnings before interest and tax  |
| EBITDA                    | Earnings before interest, tax, depreciation and amortisation  |
| FME                       | Future Maintainable Earnings  |
| FOS                       | Financial Ombudsman Service   |
| FSG                       | Financial Services Guide  |
| GB Energy                 | GB Energy Limited   |

| Reference                        | Definition  |
|----------------------------------|---|
| GDP                              | Gross Domestic Product  |
| GRIT                             | Global Resources Investment Trust plc   |
| GRIT Transaction                 | Kalia is proposing to acquire the 27.71% of Kalia Holdings from GRIT, with consideration in the form of 480,000,000 shares in Kalia |
| Indiana Project                  | Kalia's tenements located in the Northern Territory   |
| JORC Code                        | The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)                       |
| Kalia                            | Kalia Limited   |
| Kalia Holdings                   | Kalia Holdings Pty Ltd  |
| Kalia Investments                | Kalia Investments Ltd   |
| Kimberly Project                 | Kalia's tenements located in Western Australia  |
| LME                              | London Metal Exchange   |
| LSE                              | London Stock Exchange   |
| Mardasa                          | Mardasa Nominees Pty Ltd  |
| NAV                              | Net Asset Value   |
| The Option                       | 120 day put option to acquire 100% of Kalia Holdings  |
| Panguna                          | Panguna copper mine, located in Bougainville  |
| Post Announcement Trading Period | 26 February 2018 to 8 March 2018.   |
| The Proposed Transactions        | The GRIT Transaction and the Security Transaction   |
| QMP                              | Quoted market price   |
| RBA                              | Reserve Bank of Australia   |
| Regulations                      | Corporations Act Regulations 2001 (Cth)   |
| Our Report                       | This Independent Expert's Report prepared by BDO  |
| RG 74                            | Acquisitions approved by Members (December 2011)  |

| Reference            | Definition   |
|----------------------|--|
| RG 111               | Content of expert reports (March 2011)   |
| RG 112               | Independence of experts (March 2011)   |
| Section 411          | Section 411 of the Corporations Act  |
| Section 611          | Section 611 of the Corporations Act  |
| Security Transaction | The Company has signed a \$3 million loan facility with Tygola Pty Ltd ('Tygola'). Under the terms of the loan facility, the Company will grant a first ranking general security over all the assets and undertaking of the Company  |
| Shareholders         | Shareholders of Kalia  |
| Sum-of-Parts         | A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies  |
| Tore Project         | BEL03 and BEL04  |
| Toremana             | Toremana Resources Ltd   |
| The Document         | The Notice of Meeting  |
| Tygola               | Tygola Pty Ltd   |
| Tygola Loan          | Contingent on the GRIT Transaction receiving shareholder approval, the Company will gain access to a \$3 million loan facility with Tygola   |
| USD                  | United States Dollar   |
| Valmin Code          | Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)  |
| Valuation Engagement | An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time. |
| VWAP                 | Volume Weighted Average Price  |
| WACC                 | Weighted Average Cost of Capital   |



## Appendix 2 - Valuation Methodologies

---

Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity'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
- Net assets on a going concern method

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

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

### 3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

#### **4 Discounted future cash flows ('DCF')**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### **5 Market Based Assessment**

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

## Appendix 3 - Independent Valuation Report

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**AGRICOLA MINING CONSULTANTS PTY LTD**

**INDEPENDENT VALUATION OF THE TORE EXPLORATION LICENCES  
IN NORTHERN BOUGAINVILLE and AUSTRALIAN PROJECTS HELD BY  
KALIA LIMITED**

**7 March 2018**



*Georgius Agricola: De Re Metallica, 1556*



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ABN: 84 274 218 871

7 March 2018

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

Subiaco, WA, 6008

Dear Sirs,

**Re: INDEPENDENT VALUATION OF THE TORE EXPLORATION LICENCES  
IN NORTHERN BOUGAINVILLE and AUSTRALIAN PROJECTS HELD BY  
KALIA LIMITED**

Agricola Mining Consultants Pty Ltd ("Agricola") was commissioned by the Directors of BDO Corporate Finance (WA) Pty Ltd (the "Client") to provide a Mineral Asset Valuation Report (the "Report") of the Tore Exploration Licences in Northern Bougainville and Projects in Western Australia and Northern Territory held by Kalia Limited (the "Company"). This report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the assets based on the information in this Report.

**Scope of the Valuation Report**

A valuation report expresses an opinion as to monetary value of a mineral asset but specifically excludes commentary on the value of any related corporate Securities. Agricola prepared this Report utilizing information relating to exploration methods and expectations provided to it by various sources. Where possible, Agricola has verified this information from independent sources. This Report has been prepared for the purpose of providing information to the Client.

This mineral asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to



have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

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

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

The findings of the valuation Report include an assessment of the technical value (i.e. the value implied by a consideration of the technical attributes of the asset) and a market value (which considers the influences of external market forces and risk). A range of values (high, low and preferred) has been determined and stated in the Report to reflect any uncertainties in the data and the interaction of the various assumptions made.

The main requirements of the Valuation Report are:

- Prepared in accordance with the VALMIN Code 2015
- Experience and qualifications of key personnel to be set out
- Details of valuation methodologies
- Reasoning for the selection of the valuation approach adopted
- Details of the valuation calculations
- Conclusion on value as a range with a preferred value

## **The Mineral Assets**

Kalia Limited was granted two Exploration Licences (EL03 and EL04) by the Autonomous Bougainville Government in the Tore region of Bougainville Island. The geology of the Tinputz region is dominated by andesites, diorites and granodiorites, similar to the Crown Prince Range and Panguna. Four intrusive granodiorites have been identified in the area of the Emperor Range. Gold anomalies have been identified in keeping with the geological understanding of the area. The copper modelling has highlighted some areas that lay outside the aerial survey area helicopter borne survey and not previously identified.

The Kimberley project in Western Australia is targeting copper, chromium and platinum group elements. The Company holds two tenements: E80/5012 Mt Angelo and E80/5013 Armanda River.

The Indiana Project in the Northern Territory is targeting sulphide mineralisation within the Riddock Amphibolite and later intrusives within the Irindina Province and extensions under thin cover. Existing Blackadder and Baldrick Cu-Ni-PGE prospects are located over outcropping copper-bearing gabbro intrusions. Both projects include anomalous nickel and copper rock chip

assay. The project is approximately 15km NE of the Basil Copper-Cobalt sulphide prospect .

## **DECLARATIONS**

### **Relevant codes and guidelines**

This Report has been prepared as a technical assessment and valuation in accordance with the *Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral Assets* (the “VALMIN Code”, 2015 Edition), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the Australian Securities and Investments Commission (“ASIC”) and the ASX Limited (“ASX”) Regulatory Guides that pertain to Content of Experts Reports (RG 111, March 2011) and Independence of Experts ( RG 112, March 2011).

The report has been prepared in compliance with the Corporations Act and ASIC Regulatory Guide 112 with respect to Agricola’s independence as experts. Agricola regards RG112.31 to be in compliance whereby there are no business or professional relationships or interests that would affect the expert’s ability to present an unbiased opinion within this report.

Where exploration results and mineral resources have been referred to in this report, the information was prepared and first disclosed under the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (“JORC Code”), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia 2012.

### *Rounding to Significant Figures*

Estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the mineral occurrence and on the available sampling results. Reporting of figures should reflect the relative uncertainty of the estimate by rounding off to appropriately significant figures and to emphasise the imprecise nature of a Mineral Asset Valuation. The final result should always be referred to as an estimate not a calculation.

In most situations, rounding to the second significant figure should be sufficient. There will be occasions, however, where rounding to the first significant figure may be necessary in order to convey properly the uncertainties in estimation.

*Adapted from JORC Code 2012, Clause 25*

### *Status of Tenure*

The present status of the tenements is based on information made available by the Company and independently verified by Agricola. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

A determination of the Status of Tenure is necessary and must be based on a sufficiently recent inquiry to ensure that the information is accurate for the purposes of the Report. Tenure that is Material must be or recently have been verified independently of the Commissioning Entity.

## **Sources of Information**

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

In compiling this report, Agricola did not carry out a site visit to the project areas. The author worked for several years in Papua New Guinea and visited the Panguna Mine during its time of operation. Based on its professional knowledge, experience and the availability of extensive databases and technical reports made available by various Government Agencies and the early stage of exploration, Agricola considers that sufficient current information was available to allow an informed appraisal to be made without such a visit.

This Report may contain statements attributable to third persons. These statements are made in, or based on, statements made in previous geological reports that are publicly available from either a government department or the ASX. The authors of these previous reports have not consented to the statements' use in this Report, and these statements are included in accordance with ASIC Corporations (Consents to Statements) Instrument 2016/72.

The independent valuation report has been compiled based on information available up to and including the date of this report. The information has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to value. However, Agricola does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose.

## **Qualifications and Experience**

The person responsible for the preparation of this report is:

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

Malcolm Castle has over 50 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company over 30 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical audits in many countries. He has completed numerous Independent Geologist's Reports and Mineral Asset Valuations over the last decade as part of his consulting business.



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

Mr Castle is the Principal Consultant for Agricola Mining Consultants Pty Ltd, an independent geological consultancy established 30 years ago. He is a Member of the Australasian Institute of Mining and Metallurgy ("MAusIMM").

*Declaration – VALMIN Code:* The information in this report that relates to Technical Assessment and Valuation of Mineral Assets reflects information compiled and conclusions derived by Malcolm Castle, who is a Member of The Australasian Institute of Mining and Metallurgy. Malcolm Castle is not a permanent employee of the Company.

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

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

## **Independence**

Agricola or its employees and associates are not, nor intend to be a director, officer or other direct employee of the Company, Kalia Holdings Pty Ltd or Global Resource Investment Trust PLC and have no material interest in the projects. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees of \$7,000 plus GST based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Consent has been given for the distribution of this report in full in the form and context in which it is provided, for the purpose for which this report was commissioned. Agricola provides its consent on the understanding that the

assessment expressed in the individual sections of this report will be considered with, and not independently of, the information set out in full in this report.

Agricola has no reason to doubt the authenticity or substance of the information provided.

### **Valuation Opinion**

Agricola has used a cost based geoscientific rating approach to derive the Mineral Asset Valuation for the Tore Project in Bougainville and the Australian Projects and checked it against market comparable transactions. In forming its opinion of the reasonable value of the Company's Projects, Agricola has considered the current market, locality, and technical and strategic factors, which Agricola has assessed to have an impact on the prospectivity and future development of the Project.

***Based on an assessment of the factors involved, the estimate of the market value for 100% equity in the Tore Exploration Licences, is in the range of A\$2.6 million to A\$5.6 million with a preferred value of A\$4.1 million.***<sup>1</sup>

***Based on an assessment of the factors involved, the estimate of the market value for 100% equity in the Australian Projects, is in the range of A\$0.9 million to A\$1.2 million with a preferred value of A\$1.1 million.***<sup>2</sup>

***This valuation is effective on 7 March 2018.***

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

Agricola's opinion should be considered as a whole as the various elements of its analysis are often interdependent. Agricola cautions against examination of individual elements of its analysis as this may create a misleading impression of the overall opinion.

Yours faithfully



**Malcolm Castle**

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

Agricola Mining Consultants Pty Ltd

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<sup>1</sup> Values have been rounded to one decimal place

<sup>2</sup> Values have been rounded to one decimal place

## Table of Contents

|   |                              |
|---|------------------------------|
| <b>TENEMENT STATUS .....</b>  | <b>9</b>                     |
| <b>BOUGAINVILLE REGIONAL SETTING AND MINERALIZATION.....</b>                  | <b>11</b>                    |
| PANGUNA, BOUGAINVILLE, PAPUA NEW GUINEA.....                                  | 11                           |
| TORE PROJECT – GEOLOGICAL SETTING.....  | 14                           |
| <b>AUSTRALIAN PROJECTS .....</b>  | <b>18</b>                    |
| KIMBERLEY PROJECT, WESTERN AUSTRALIA .....                                    | 18                           |
| INDIANA PROJECT, NORTHERN TERRITORY .....                                     | 18                           |
| NGALIA PROJECT, NORTHERN TERRITORY .....                                      | 20                           |
| STUART SHELF, SOUTH AUSTRALIA .....   | 20                           |
| <b>VALUATION CONSIDERATIONS.....</b>  | <b>21</b>                    |
| FAIR MARKET VALUE OF MINERAL ASSETS .....                                     | ERROR! BOOKMARK NOT DEFINED. |
| METHODS OF VALUING MINERAL ASSETS.....  | ERROR! BOOKMARK NOT DEFINED. |
| AGRICOLA’S VALUATION METHODOLOGY.....   | ERROR! BOOKMARK NOT DEFINED. |
| <b>VALUATION ASSESSMENT .....</b>   | <b>33</b>                    |
| <b>EXPLORATION POTENTIAL - GEO-FACTOR RATING .....</b>                        | <b>34</b>                    |
| TECHNICAL VALUE .....   | 40                           |
| <b>MARKET VALUE.....</b>  | <b>42</b>                    |
| COMPARABLE TRANSACTIONS FOR EXPLORATION PROPERTIES - \$/KM <sup>2</sup> ..... | 44                           |
| <b>MARKET CAPITALISATION, ENTERPRISE VALUE AND BOOK VALUE.....</b>            | <b>47</b>                    |
| <b>PROJECT RISKS .....</b>  | <b>49</b>                    |
| <b>VALUATION OPINION .....</b>  | <b>51</b>                    |
| <b>REFERENCES.....</b>  | <b>52</b>                    |

## TENEMENT STATUS

### Northern Bougainville Tenements

| <b>KALIA LIMITED</b>   |                    | <b>Tenement Factors</b> |               |               |
|--|--------------------|-------------------------|---------------|---------------|
| <b>Tenement</b>  | <b>Area</b><br>km2 | <b>Start</b>            | <b>Expiry</b> | <b>Status</b> |
| <b>Bougainville Projects</b>   |                    |                         |               |               |
| EL03 (East)  | 865.30             | 15/11/17                | 14/11/20      | Live          |
| EL04 (West)  | 838.70             | 15/11/17                | 14/11/20      | Live          |
| Holder: Kalia Investment Limited (75%), Toremana Resources Limited (25%) |                    |                         |               |               |

The status of the tenements in Northern Bougainville has been verified based on a recent independent inquiry of direct independent public announcements from the Bougainville Executive Council by Agricola, pursuant to section 7.2 of the Valmin Code, 2015. The tenements are believed to be in good standing based on this inquiry.

Kalia Limited (ASX: KLH) was granted two Exploration Licences (EL03 and EL04) on Applications 007 and 008 by the Autonomous Bougainville Government in the Tore region of Bougainville Island in the Autonomous Region of Bougainville, Papua New Guinea on 15 November 2017.

Exploration Licence Application 007 covers an area of 865.3 km2 on the east side of the Tore region and Exploration Licence Application 008 covers an area of 838.7 km2 on the west side.

*20 November 2017*

*The Bougainville Executive Council today approved to grant mineral exploration licenses for the TORE and ISINA areas of Bougainville thus setting the stage for the Bougainville mining industry to move forward towards achieving the ABG's agenda of attaining fiscal self-reliance.*

*ABG President, CHIEF DR. JOHN MOMIS when making the announcement today said that the licenses were awarded to joint venture companies between landowners of these areas and foreign partners.*

*DR MOMIS said that the Bougainville mining law recognises the Rights of traditional landowners over their minerals and it is only fair that they are involved in the exploration and development of these mineral resources from the start.*

*In the the TORE area, TINPUTZ, two exploration licenses were given to joint venture companies, Kalia Investment Limited (75% interest) and Toremana Resources Limited (25% interest). Toremana Resources Limited represents the interests of the landowners and has no funding requirement through to production.*

*The Exploration Licences are valid for 3 years and are renewable in 2 year periods requiring the holders to release 20% of the Exploration Licence area at each renewal. (Refer to the comments in the Introductory Letter on independent verification of the Status of Tenure. The source is quoting the ABG President and not the company.)*

Source: <http://bougainville.typepad.com/newdawn/2017/11/171117two-local-companies-get-exploration-licenses-by-alloysius-laukai-the-bougainville-executive-council-today-approved-to-gr.html>



Location of EL03 and EL04, Northern Bougainville  
Source: Kalia Resources Corporate Presentation 1 Dec 17

#### Australian Tenements

| KALIA LIMITED                    |             | Tenement Factors |          |         |
|----------------------------------|-------------|------------------|----------|---------|
| Tenement                         | Area<br>km2 | Start            | Expiry   | Status  |
| <b>Australian Projects</b>       |             |                  |          |         |
| Kimberley, WA                    | 420.00      |                  |          |         |
| E80/5012                         | 87.00       | 23/11/17         | 22/11/22 | Live    |
| E80/5013                         | 333.00      | 23/11/17         | 22/11/22 | Live    |
| Indiana, NT                      | 1,260.94    |                  |          |         |
| EL31275                          | 192.43      | 10/1/17          | 9/1/23   | Live    |
| EL31391                          | 119.80      | 26/4/17          | 25/4/23  | Live    |
| EL31542                          | 227.08      | 7/2/18           | 6/2/24   | Live    |
| ELA31537                         | 721.63      |                  |          | Pending |
| Ngalia, NT                       | 1,508.40    |                  |          |         |
| ELA31392                         | 745.70      |                  |          | Pending |
| ELA31393                         | 762.70      |                  |          | Pending |
| Holder: GBE Explorations Pty Ltd |             |                  |          |         |

The status of the Australian tenements has been verified based on a recent independent inquiry of independent on-line databases for Western Australia and Northern Territory operated by the Mines Departments in those States by Agricola, pursuant to section 7.2 of the Valmin Code, 2015. The tenements are believed to be in good standing based on this inquiry.

## BOUGAINVILLE REGIONAL SETTING AND MINERALIZATION



*Location of Mineral Deposits in Papua New Guinea*  
Source: Kalia Resources Corporate Presentation 1 Dec 17

### Panguna, Bougainville, Papua New Guinea

Main commodities: Cu Au

The Panguna porphyry copper-gold deposit is located in the Crown Prince Range of central-south Bougainville Island in eastern Papua New Guinea, at an altitude of 500 to 1200 m (#Location: 6° 19' 0"S, 155° 29' 36"E).

Gold was initially discovered by prospectors at Kupei in 1930, and shortly after at nearby Panguna, some 5.5 km to the south-west. Cu-Au bearing quartz veins and associated alluvials were mined on a small scale at both Kupei and Panguna, from the 1930s until the Japanese occupation in 1941. In the early 1960s, J E Thompson, Government Geologist in Port Moresby, recognised the porphyry association from a 1936 government report. During the same period, a technical visit to porphyry Cu-Au deposits in the Philippines by K Phillips of CRA Exploration led him to consider searching for an analogue in the New Guinea islands. After discussions at the Geological Survey in Port Moresby Thompson advised Phillips of his conclusions and showed him the reports of Cu-Au mineralisation associated with porphyry intrusions and agglomerates in the Crown Prince Range on Bougainville Island. Phillips then made a field inspection in May 1964, confirmed the similarities, and following stream sediment and ridge and spur soil sampling program, his exploration team delineated a 13 sq

km copper anomaly, focused on a 300 m diameter core. By 1969, over 80 000 m of diamond drilling had been completed. The mine commenced stripping in 1969 and full commercial production in April 1972, but was closed due to civil unrest in May 1989.

Bougainville is part of the Melanesian arc, built up from calc-alkaline island arc subduction-related magmatism from the Eocene, and interrupted by deposition of the Miocene Keriaka Limestone on Bougainville. The volcanic sequence, the Kieta Volcanics, includes mostly andesite with lesser basalt and dacites with associated volcanogenic sediments, including the Late Miocene wall rock host, the Panguna Andesite. These volcanics were deposited on a basement of Eocene to Oligocene agglomerates and volcano-sediments. A wide variety of intrusions of late Eocene to Recent age intrude the volcanic pile, including diorite, granodiorite, monzonite and locally more alkaline compositions were emplaced into the volcanic pile over a protracted period of time. Continuing active volcanism at the Bagana Volcano, 32 km north of the mine, has resulted in a blanket of recent ash to several metres thick obscuring much of the island, including the Panguna area.

The Panguna ore deposit and hydrothermal system is related to an oval shaped, NW-SE elongated, 1500 x 1000 m, multiphase apophysis developed on the southeastern margin of the larger, approximately 4 km diameter mass of the 5 to 4 Ma Kawerong Quartz Diorite. The ore is developed where this multiphase apophysis intrudes the Late Miocene Panguna Andesite member of the late Eocene to early Pliocene Kieta Volcanics. The main lithologies of the mineralised complex in the mine area (Fig. 17) include:

Panguna Andesite - the main wall-rock host is a member of the Kieta Volcanics and occurs as a shallow SE dipping hornblende microdiorite lava, agglomerate, lapilli tuff and local pyroclastic bands from 1220 to about 450 m asl. It becomes less agglomeratic with depth, but more welded, fractured and propylitic alteration. It has been contact metamorphosed to a hornblende hornfels for up to 500 m outward from the contact, grading to epidote-chlorite-albite-K feldspar-calcite-pyrite to the limit of exposure, some 1200 m from the contact.

Kawerong Quartz Diorite - the bulk of the intrusion is un-mineralised and occurs to the north-west of the Panguna mine. Within the mine apophysis, there are a number of phases and variants, characterised by gradational, crosscutting and overprinting relationships. These phases are represented by a series of lithologies which include

Biotite Diorite which comprises the main mass of the apophysis and largely surrounds the Biotite Granodiorite and "Feldspar Porphyry" and is a more potassic altered variety of the main Kawerong Quartz Diorite. It carries much of the mineralisation, and is increasingly brecciated with depth.

Leucocratic Quartz Diorite is a later intrusive phase which occurs on the southern margin of the main intrusive mass. It contains more intense quartz veining and is more siliceous than the Biotite Diorite

Biotite Granodiorite and "Feldspar Porphyry", which occupy the low grade central core of the orebody. Both post-date the Leucocratic Quartz Diorite and differ only in degree of alteration and texture;

Breccias occur as intrusive, collapse and tectonic breccias and cut most of the main intrusive phases described above. Intrusive breccias were formed by the emplacement of the biotite diorite into the Panguna Andesite and contain angular andesite fragments set in a matrix of biotite, chalcopyrite, bornite and local free gold. Consequently, they are associated with higher ore grades. Metal grades within the breccia bodies decline with depth, and they are cut by dykes of Biuro Granodiorite;

Pebble dykes, including one that can be traced laterally in the open pit for 1900 x 50 m, exhibit fragment milling and consistent fragment and matrix compositions over considerable distances;

Biuro Granodiorite, (3.4 Ma) which is only weakly mineralised and occurs as dykes and as a mass on the western side of the deposit, where it dilutes the ore; Feldspar porphyries occur as post-mineral intrusions;

Nautango Andesite (1.6Ma) is a barren post ore intrusive.

The fracture pattern exhibits a concentric form, modified by the regional NE structural grain, which is exploited by intrusive features such as pebble dykes (Clark, 1990).

Alteration was developed as follows:

Potassic alteration is closely associated with the best mineralisation and is found in areas of >0.5% Cu, particularly in the Panguna Andesite, Biotite Diorite and Leucocratic Quartz Diorite.

Propylitic alteration is dominant in areas of <0.3% Cu, where chlorite is > biotite and pyrite is > chalcopyrite.

Argillic alteration is widespread but weakly developed, overprints potassic and propylitic phases and is characterised by clay development and disseminated pyrite.

Phyllic alteration is irregularly developed with sericite, silica and pyrite and overprints other alteration in all rock types.

Gypsum and minor anhydrite occurs in joints and microfractures below about 150 m from the uppermost benches. Copper and gold mineralisation forms an annular zone of higher grade surrounding a low grade core, and weakens outwards in all directions.

Mineralisation was developed as follows:

- i). Early pyrite in the Kawerong Quartz Diorite,
- ii). Chalcopyrite and gold associated with hydrothermal biotite in the Biotite Diorite and Panguna Andesite,



iii). Intense quartz veining with chalcopyrite and bornite accompanied the subsequently intruded Leucocratic Quartz Diorite to form a stronger zone of Cu-Au mineralisation in the south of the ore zone annulus,

iv). Chalcopyrite and pyrite, with small areas of high grade Cu (disseminated chalcopyrite and bornite) accompanied the Biotite Granodiorite which intruded and partly replaced the mineralised Biotite Diorite,

v). Pyrite on joints with phyllic selvages occurs irregularly through all rocks in the system, except late andesite dykes.

While copper occurs within chalcopyrite and bornite, chalcocite and other secondary copper minerals are recognised but were not of economic importance

The original pre-mining ore reserve in 1969 was - 994 Mt @ 0.48% Cu, 0.56 g/t Au, 3 g/t Ag (Clark, 1990).

Production over this period amounted to 710 Mt of ore @ 0.53% Cu, 0.63 g/t Au for 3 Mt of contained Cu metal, 306 tonnes of gold and 784 tonnes of silver (Clark, 1990, Bougainville Copper Ltd., Annual Report, 1992), plus 630 Mt of waste (Bougainville Copper Ltd., Annual Report, 1999).

Remaining reserves in 1999 were officially listed at 496 Mt @ 0.45% Cu, 0.55 g/t Au. In addition, mineralisation amenable to upgrading by screening would add a further 520 Mt @ 0.22% Cu, 0.18 g/t Au to the reserves to produce a mill feed of 195 Mt @ 0.34% Cu, 0.28 g/t Au. This would result in a total combined mill feed from both remaining ore groups of 691 Mt @ 0.40% Cu, 0.47 g/t Au (Bougainville Copper Ltd., Annual Report, 1999).

Source: [www.Portergeo.com.au](http://www.Portergeo.com.au) database

## **Tore Project – Geological Setting**

Bougainville is in the same geological region as "The Ring of Fire" chain of deposits. The Panguna Mine, is approximately 60 kilometres southeast of the Tore Exploration Licence areas on the island of Bougainville.

When operating the Panguna Mine was considered among the richest in the world. Panguna's last year of production (1989) mill throughput was ~48 Mt at a grade of 0.41 % copper ("Cu") and 0.41 grams per tonne gold producing 550,000 tonnes of concentrate grading 30% Cu and 25g/t Au that contained ~170,000 tonnes of copper and ~450,000 ounces of gold - (Clark, G.H., 1990. *Panguna copper old deposit, in Geology of the Mineral Deposits of Australia and Papua New Guinea* (Ed- F.E. Hughes) pp1807-1816 (The Australasian Institute of Mining and Metallurgy: Melbourne)).

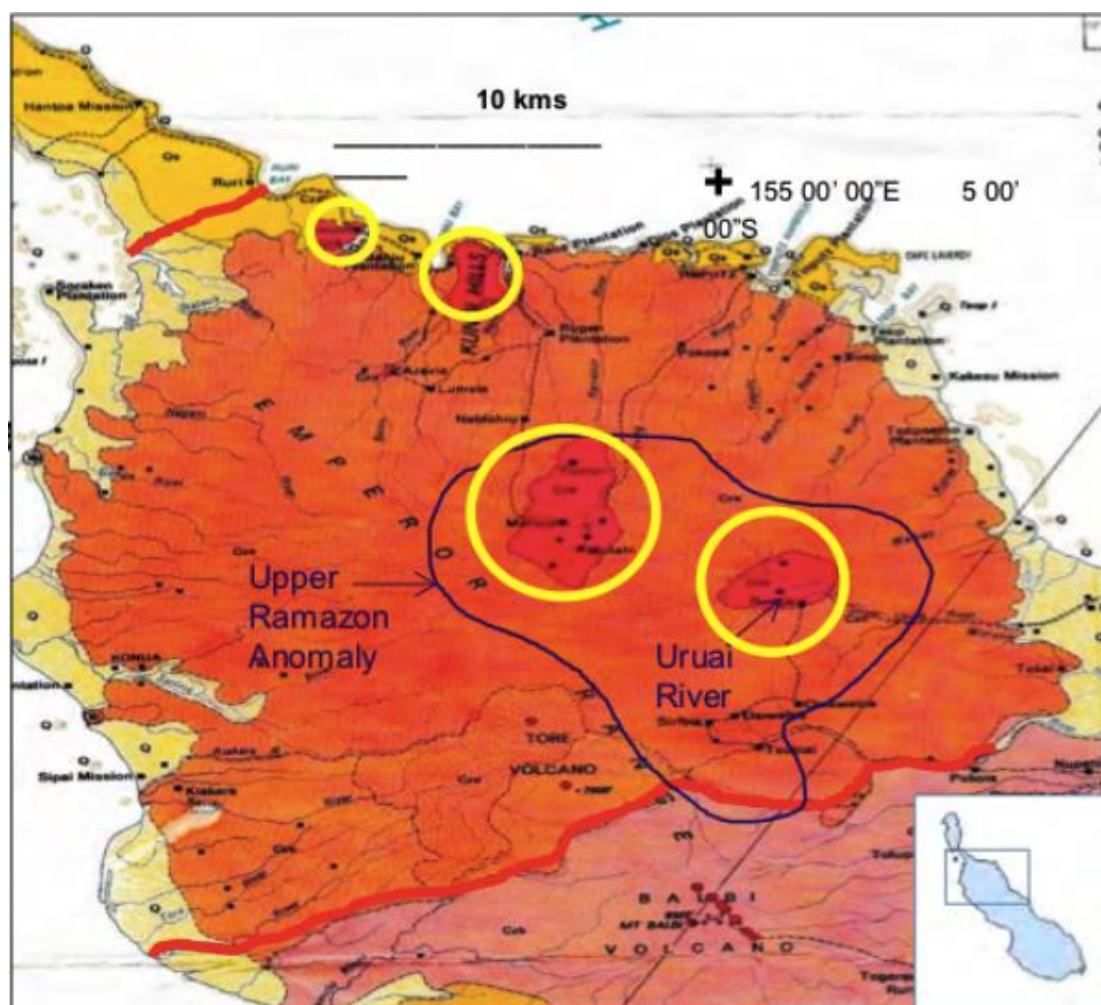
Operations ceased at Panguna due to the "Bougainville Crisis" and the orebody remains with a JORC 2012 resource of 1.84 billion tonnes at 0.30% Copper and 0.34g/t gold (as published by Bougainville Copper Limited - ASX: BOC in the 2016 Annual Report published 31 March 2017).

Kalia has commenced data collection and exploration modelling based on geology, geochemistry and geophysics taken from previous studies. Access to the raw data collected during helicopter geophysical studies has allowed Kalia to

reprocess the data using modern algorithms. This geophysics covers approximately 20% of the Exploration Licence area, has been re-analysed and assessed to specifically identify discrete anomalies for Magnetic highs (sulphide or metal), Potassium highs (alteration from mineralisation) and discrete Topographic lows (sunken rims of volcanic vents). Kalia has identified numerous target areas from this re-processing that will form the basis for initial exploration activities.

The geology of the Tinputz region that includes the Tore ELs is dominated by andesites, diorites and granodiorites, similar to the Crown Prince Range and Panguna. Four intrusive granodiorites have been identified in the area of the Emperor Range.

The Upper Ramazon is a 20+ km long zone of anomalous Au, Cu and Hg, as defined from stream sediment sampling. In the Uruai River area sampling produced rocks with porphyry style mineralisation.



*Regional Geology of Northern Bougainville showing Panguna style targets*

*Source: Kalia Resources Corporate Presentation 1 Dec 17*

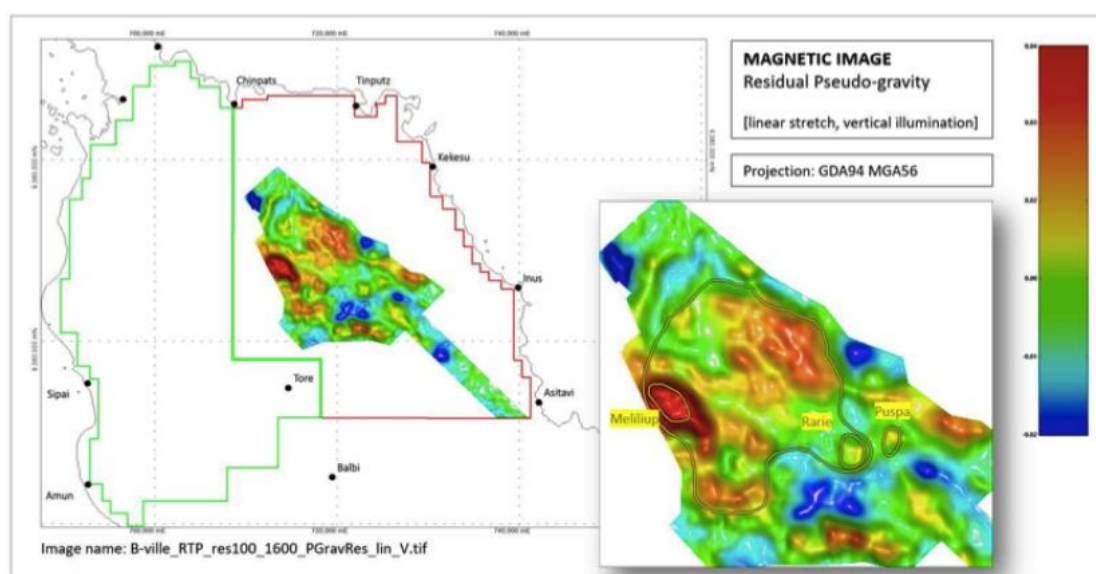
Further targets for Cu and Au were identified within porphyry mineralization in the Rarie/Puspa region. Epithermal veining was sampled in the Rarie/Puspa area and based on simple field observations and gold analysis highlighted the

potential for higher grade epithermal vein style deposits in the region this was supported by airborne geophysics but without any drilling.

Two major styles of mineralization are recognised in the Tore region (porphyry copper and epithermal gold). The Rari'e (Puspa) target was estimated to have the potential to host large deposits in several styles of mineralization. Outside of this one occurrence the Tore region exhibits numerous targets from topography and geophysical surveys completed in 1986.

### *Geophysics*

The geophysical surveys only covered a portion of the Tore project area and the expectation is that additional anomalies will be produced from a more comprehensive survey. Recently acquired magnetic data was filtered to highlight possible structural trends in the data: Circular structures indicate potential intrusives bodies and Strong regional features suggest mantle tapping structures. Two coincident circular features bounded by regional structures are apparent in the limited coverage available for processing with the suggestion of other circular features on the edge of the data.



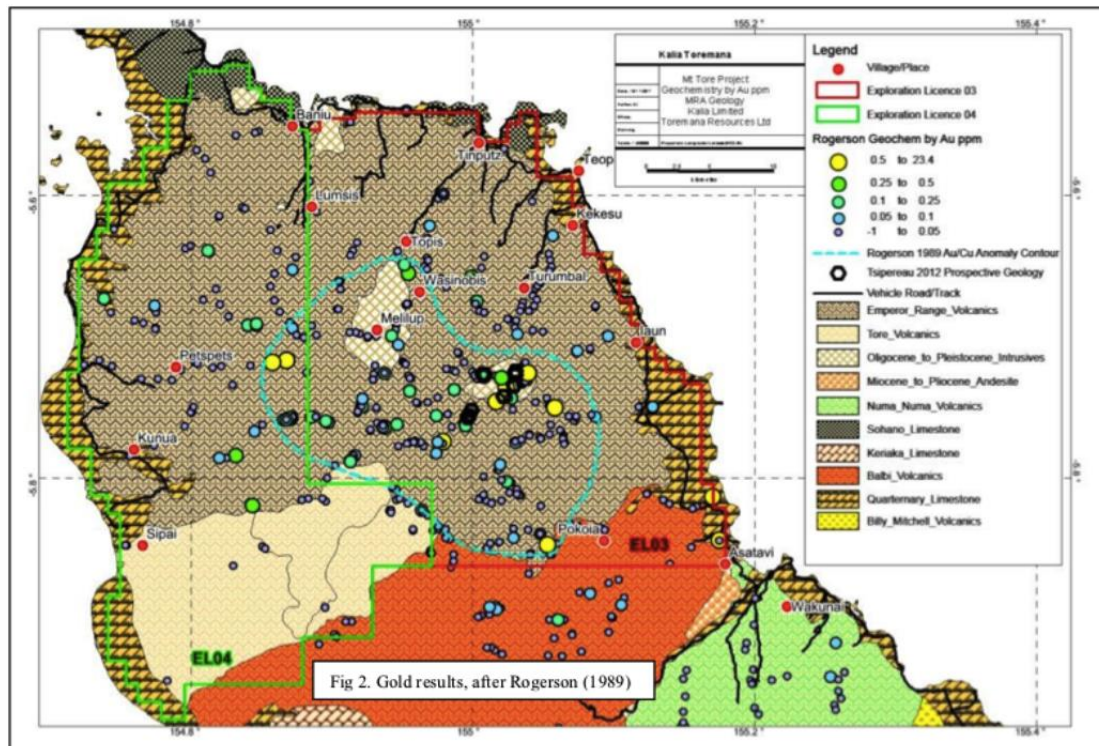
*Magnetic image of Northern Bougainville*

*Source: Kalia Resources Corporate Presentation 1 Dec 17*

### *Geochemistry*

The sampling was prioritised to cover targets derived from the 1986 geophysical survey results, almost all on the east half of Tore except for the strandline magnetite sands on the west coast below the Sarime River. For the Tore region this represents less than 50% coverage.

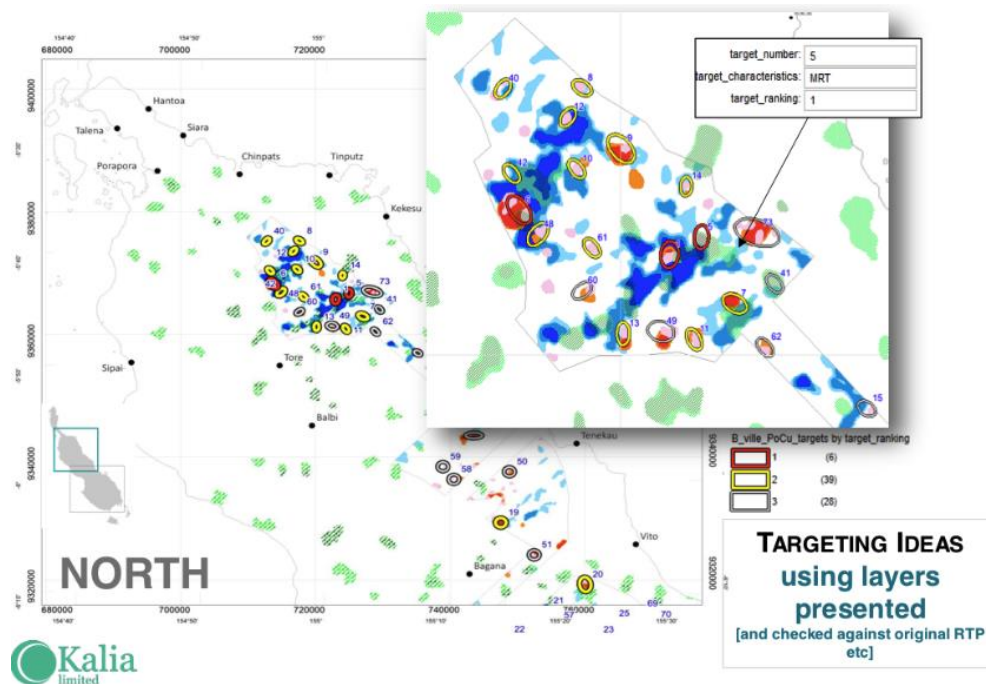




### Geochemical results from earlier exploration

Source: Kalia Resources Corporate Presentation 1 Dec 17

The results were anomalous for Au, Cu, Zn and Te. The rock types described and the chemical assemblage suggest multiple sources including porphyries and epithermal veining. The zinc suggests VMS or polymetallic veining. The Ramazon anomaly is a 20km+ long Au Cu anomaly. The sheer size of the anomaly suggests a large source possibly a porphyry



Source: Kalia Resources Corporate Presentation 1 Dec 17

## AUSTRALIAN PROJECTS

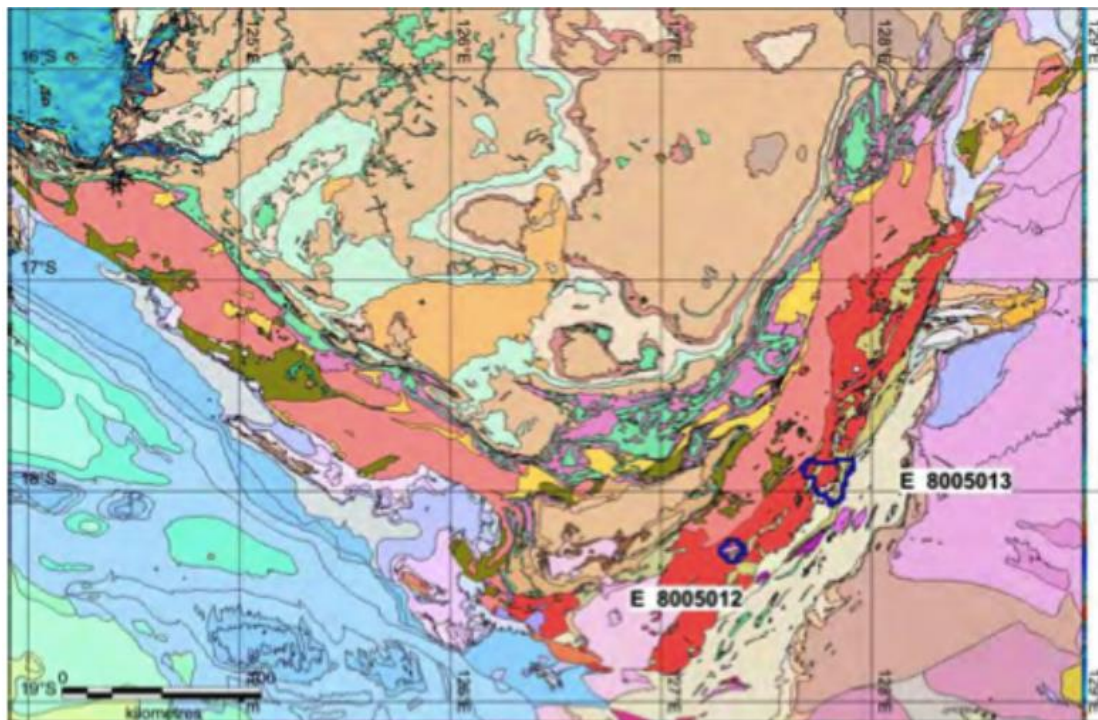
### Kimberley Project, Western Australia

- Granted tenements, E80/5012 and E80/5013

The Kimberley project is targeting copper, chromium and platinum group elements. The Company holds two tenements: E80/5012 Mt Angelo and E80/5013 Armanda River. Negotiation over the Native Title agreements was finalised and the two applications were granted by the WA Department of Mines, Industry Regulation and Safety on 23 November 2017.

The Company is targeting Cu-PGE-Ni mineralisation associated with tholeiitic magmatic intrusions in areas of known mineralisation and potential covered targets. These exploration licences target the potential of the East Kimberley region to host this style of mineralisation as well as the potential of the fertile Tickalara Metamorphics for base-metal, graphite and gold mineralisation.

The project covers Big Ben intrusion, the faulted western extension of the Panton Sill, Tickalara Metamorphics and Koongie Park Formation. Historic soil sampling over Big Ben identified anomalous Cr, Pt and Pd values (as per Thundelarra Annual Report 2001)



*Kimberley Project Location*

*Source: Kalia Resources Corporate Presentation 1 Dec 17*

### Indiana Project, Northern Territory

- Granted tenements, EL31275, EL31391 and 31542 and applications ELA31537

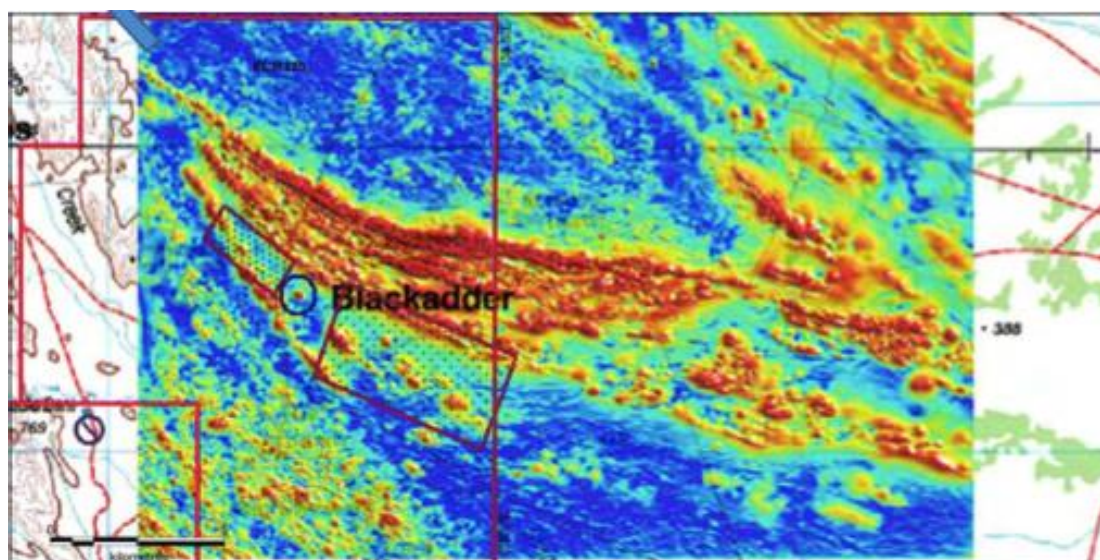


An application under the consent to negotiate provisions of the Aboriginal Land Right Act for ELA31537 was lodged with the CLC. ELA 31537 (229 blocks, 721 km<sup>2</sup>) is targeting sulphide mineralisation within the Riddock and other Amphibolite's and later intrusives within the Irindina Province and cover extensions eastwards under thin cover from the Basil Project resource.

Neighbouring ELA31542 is undergoing advertising under the expedited provisions of the Commonwealth Native Act and this is expected to be completed in the current quarter.

Exploration licence applications EL31537 and EL31542 are subject to the standard processes of the Northern Territory Department of Primary Industries and Resources and grant cannot be guaranteed.

The Project is targeting sulphide mineralisation within the Riddock Amphibolite and later intrusives within the Irindina Province and extensions under thin cover. Existing Blackadder and Baldrick Cu-Ni-PGE prospects are located over outcropping copper-bearing gabbro intrusions. Both projects include anomalous nickel and copper rock chip assay. The project is approximately 15km NE of the Basil Copper-Cobalt sulphide prospect.



*Indiana Project location with respect to aeromagnetics*

*Source: Kalia Resources Corporate Presentation 1 Dec 17*

Basil Copper Deposit Inferred Mineral Resource of 26.5Mt @ 0.57% copper, 0.05% cobalt has been calculated using a 0.3% copper cut-off grade. The Resource is composed of both interpolated and extrapolated resources and has been reported in accordance with the JORC Code (2004) and JORC/ASX Companies Update Number 03/07.

It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Refer to ASX Announcement dated 21 March 2012 for further information.

*Source: Mithril Resources Ltd, Quarterly Report For the Period Ending 31 December 2015, ASX Announcement, 27 January 2016.*

### **Ngalia Project, Northern Territory**

- Applications ELA31392 and 31393

The Ngalia Project is targeting uranium mineralisation and includes Applications ELA31392 and ELA31393, currently undergoing Native title negotiation.

### **Stuart Shelf, South Australia**

- Granted tenement EL 5231

No information is available for this tenement and it is ascribed minimum value.

## **VALUATION CONSIDERATIONS**

The author of this report (the Specialist or valuer) is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM") and therefore, is obliged to prepare mineral asset valuations in accordance with the Australian reporting requirements as set out in the VALMIN Code (2015 Edition).

The opinions expressed and conclusions drawn with respect to this valuation are appropriate at the valuation date stated in the Report. The valuation is only valid for this date and may change with time in response to variations in economic, market, legal or political conditions in addition to ongoing exploration results.

The objective of a mineral asset valuation is to establish a "fair market" value for an asset in the context of the factors outlined in the body of this report.

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

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

The VALMIN Code defines fair market value of a mineral asset as the estimated amount of money or the cash equivalent of some other consideration for which, in the opinion of the Specialist reached in accordance with the provisions of the VALMIN Code, the mineral asset should change hands on the valuation date between a willing buyer and a willing seller in an arms length transaction, wherein each party has acted knowledgeably, prudently and without compulsion.

In effect therefore, the valuation Specialist is assumed to have the knowledge and experience necessary to establish a realistic value for a mineral asset. The real value of a tenement can only be established in an open market situation where an informed public is able to bid for an asset. The most open and public valuation of mineral assets occur when they are sold to the public through a public share offering by a company wishing to become a public listed resource company, or by a company raising additional finance. In this instance, the public is given a free hand to make the decision, whether to buy or not buy shares at the issue price, and once the shares of the company are listed, the market sets a price.

It is well known to most valuation Specialists that where mineral tenement valuation is concerned there are two quite distinct markets operating. Almost without exception, the values achieved for mineral assets sold through public flotation are higher than where values are established through, say, the cash sale by a liquidator, or the sale by a small prospector to a large company neighbour, or through joint venture arrangements.

It is Agricola's experience, that in all these circumstances the terms of sale generally do not meet the criteria laid out in the VALMIN Code for fair market value (i.e. transaction between a willing buyer, willing seller in an arm's length



transaction, wherein each party had acted knowledgeably, prudently and without compulsion). Invariably one of the parties is a less than enthusiastic participant and it cannot be said that the purchase or sale is without an element of compulsion.

It is Agricola's opinion that the market value of mineral assets should be valued by the Specialist on the assumption that they are traded by vending them into a public float. Generally this will mean that the vendor is issued escrow shares (escrow period is usually two years). Importantly, this is a true cash sale situation, since the purchaser of the tenements (the public) is always expected to pay cash.

The VALMIN Code notes that the value of a mineral asset usually consists of two components; the underlying or Technical Value, and the Market component which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero. When the Technical and Market components of value are added together the resulting value is referred to as the Market Value.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change. Other factors that can influence the valuation of a specific asset include the size of the company's interest, whether it has sound management and the professional competence of the asset's management. All these issues can influence the market's perception of a mineral asset over and above its technical value.

## Methods of Valuing Mineral Assets

### *Mineral assets with Mineral Resources and Ore Reserves*

Where Mineral Resources and/or Ore Reserves have been defined, Agricola's approach is to excise them from the mineral property and to value them separately on a value per resource tonne / metal unit basis or on the basis of a discounted cash flow ("DCF"). The value of the exploration potential of the remainder of the property can then be assessed. Where appropriate, discounts are applied to the estimated contained metal to represent uncertainty in the information.

In Agricola's opinion, a Specialist charged with the preparation of a development or production project valuation must give consideration to a range of technical issues as well as make a judgement about the 'market'. Key technical issues that need to be taken into account include:

- confidence in the Mineral Resource / Ore Reserve estimate;
- metallurgical characteristics;
- difficulty and cost of extraction;
- economies of scale; and
- proximity and access to supporting infrastructure. Discounted cash flow analysis

### *Discounted Cash flow analysis*

A discounted cash flow ("DCF") analysis determines the Technical Value of a project by approximating the value if it were developed under the prevailing economic conditions and assumptions.

Once a Mineral Resource has been assessed for mining by considering revenues and operating costs, the economically viable component of the resource becomes the Ore Reserve. When this is scheduled for mining, and the capital costs and tax regime are considered, the net present value ("NPV") of the project is established by discounting future annual cash flows using an appropriate discount rate.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, however the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

### *Comparable market value*

When the economic viability of a resource has not been determined by scoping or higher level studies, then a 'rule of thumb' or comparable market value approach is typically applied. The comparable market value approach for resources is a similar process to that for exploration property however a dollar value per resource tonne / metal in the ground is determined.

As no two mineral assets are the same, the Specialist must be cognisant of the quality of the assets in the comparable transactions, with specific reference to:

- the grade of the resource;
- the metallurgical qualities of the resource;
- the proximity to infrastructure such as an existing mill, roads, rail, power, water, skilled work force, equipment, etc;
- likely operating and capital costs;
- the amount of pre-strip (for open pits) or development (for underground mines) necessary;
- the likely ore to waste ratio (for open pits);
- the size of the tenement covering the mineral asset; and
- the overall confidence in the resource.

### *Mineral assets in the exploration stage*

When valuing an exploration or mining property, the Specialist is attempting to arrive at a value that reflects the potential of the property to yield a mineable Ore Reserve and which is, at the same time, in line with what the property will be judged to be worth when assessed by the market. Arriving at the value estimate by way of a desktop study is notoriously difficult because there are no hard and fast rules and no single industry-accepted approach.

It is obvious that on such a matter, opinions are based entirely on professional judgement, where the judgement reflects the Specialist's previous geological experience, local knowledge of the area, knowledge of the market and so on, that no two Specialists are likely to have identical opinions on the merits of a

particular property and therefore, their assessments of value are likely to differ - sometimes markedly.

The most commonly employed methods of exploration asset valuation are:

- Geoscience rating methods such as the Kilburn method (potential based);  
- assessing various aspects relating to future prospectivity;
- Multiple of exploration expenditure method (exploration based) also known as the premium or discount on costs method or the appraised value method - Assessing the value outcome of previous exploration expenditure
- Comparable market value method (real estate based) - Comparing other mineral asset sales with the current mineral asset; and
- Joint venture terms method (expenditure based);

It is possible to identify positive and negative aspects of each of these methods. It is notable that most specialists have a single favoured method of valuation for which they are prepared to provide a spirited defence and, at the same time present arguments for why other methods should be disregarded. The reality is that it is easy to find fault with all methods since there is a large element of subjectivity involved in arriving at a value of a tenement no matter which method is selected. It is obvious that the Specialist must be cognisant of actual transactions taking place in the industry in general to ensure that the value estimates are realistic.

In Agricola's opinion, a Specialist charged with the preparation of a tenement valuation must give consideration to a range of technical issues as well as make a judgement about the 'market'. Key technical issues that need to be taken into account include:

- geological setting of the property;
- the relative size of the landholding;
- results of exploration activities on the tenement;
- implications for future successful exploration outcomes;
- evidence of mineralisation on adjacent properties; and
- proximity to existing production facilities of the property.

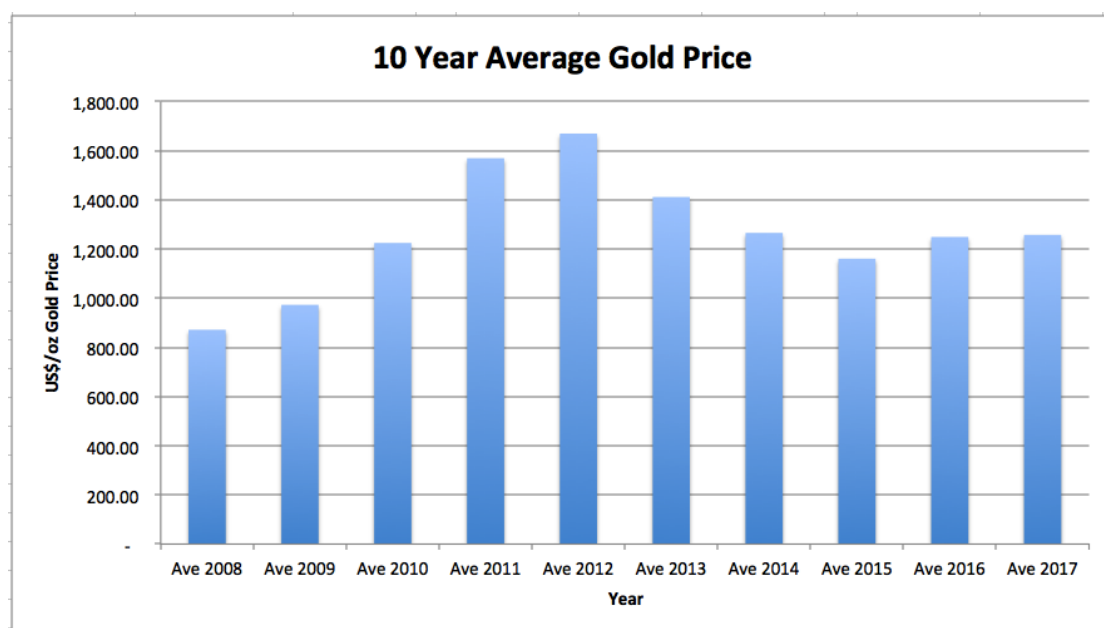
In addition to these technical issues the Specialist has to take particular note of the market's demand for the type of property being valued. Obviously this depends upon professional judgement. As a rule, adjustment of the technical value by a market factor must be applied most judiciously. It is Agricola's view that an adjustment of the technical value of a mineral tenement should only be made if the technical and market values are obviously out of phase with each other.

It is Agricola's opinion that the market may pay a premium over the technical value for high quality mineral assets (i.e. assets that hold defined resources that are likely to be mined profitably in the short-term or projects that are believed to have the potential to develop into mining operations in the short term even though no resources have been defined). On the other hand exploration

tenements that have no defined attributes apart from interesting geology or a 'good address' may well trade at a discount to technical value. Deciding upon the level of discount or premium is entirely a matter of the Specialist's professional judgement. This judgement must of course take account of the commodity potential of the tenement, the proximity of an asset to an established processing facility and the size of the land holding.

### *Metal Price*

The effect of metal price volatility has a big impact on valuing mineral assets based on Comparative Transactions. Often a review of past transactions over the previous few years (if available) takes little account of variations in metal prices at the time of the earlier transaction and a direct comparison with the current valuation can be misleading.



Source: [indexmundi.com](http://indexmundi.com)

## **Agricola's Valuation methodology**

It is Agricola's opinion that no single valuation approach should be used in isolation as each approach has its own strengths and weaknesses. Where practicable, Agricola undertakes its valuations using a combination of valuation techniques in order to help form its opinion.

### *Mineral Resource estimates*

For the valuation of Mineral Resource and Exploration Target estimates, Agricola's approach is to value these assets by assigning a dollar value to the in situ metal. To establish a benchmark market value for in-ground metal, where possible, Agricola has completed a search of the publicly available information on recent market transactions over the preceding two to three year period. Agricola's search is not intended to be a definitive listing of all market transactions in this period, but rather a list of transactions that offer

comparability to the projects in terms of reported tonnes, grade or the state of the project as a whole. The level of disclosure and complexity of some of the transactions reviewed limited Agricola's ability to assign meaningful cash equivalent values and these were therefore disregarded for the purpose of this analysis.

The quality of the mineral asset under consideration is assessed based on a number of aspects outlined in the JORC Code and the overall assessment compared to the range of comparable sales.

#### *Exploration potential – Geofactor Rating Method*

Having considered the various methods used in the valuation of exploration properties, Agricola is of the opinion that the Kilburn method provides the most appropriate approach to utilise in the technical valuation of the exploration potential of mineral properties on which there are no defined resources. Kilburn, a Canadian mining engineer was concerned about the haphazard way in which exploration tenements were valued. He proposed an approach, which essentially requires the specialist to justify the key aspects of the valuation process. The specialist must specify the key aspects of the valuation process and must specify and rank aspects which enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost ("BAC") which is the average cost incurred to acquire a base unit area of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC.

The Kilburn method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors, usually as an arrangement of values. The multipliers are then applied to the BAC of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value. An overview of the factors influencing the current market is outlined in more detail in the section entitled: Market and commodity overview.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor.

*Agricola is philosophically attracted to the Kilburn type of approach because it endeavours to implement a system that is systematic and defensible. It also takes account of the key factors that can be reasonably considered to impact on the exploration potential.*

It has also been argued that the Kilburn method is a valuation-by-numbers approach. In Agricola's opinion, the strength of the method is that it reveals to the public, in the most open way possible, just how a tenement's value was systematically determined. It is an approach that lays out the subjective judgements made by the Specialist.

In arriving at a technical value for the projects, Agricola has taken into consideration the company's equity position if the tenements are subject to a

farm-in, joint venture or option to purchase arrangement. Agricola has elected to only value tenement applications where it is satisfied that there is no cause to doubt their eventual granting and where there is no pre-existing or related title. A discount is usually applied to tenements that have not been granted.

| GEOSCIENTIFIC RATING FACTORS |   |   |  |   |
|------------------------------|---|---|--|---|
| Rating                       | Off property factor   | On property factor                                | Anomaly factor   | Geological factor   |
| 0.1                          |   |   |  | Unfavourable lithology  |
| 0.4                          |   |   |  | Generally favourable lithology (10%-20%)                          |
| 0.5                          |   |   | Extensive previous exploration with poor results         | Favourable lithology 50%)   |
| 1.0                          | No known mineralization Minor workings Several old workings Abundant workings |   | No targets outlined                                      | Favourable lithology (70%)  |
| 1.5                          |   |   |  | Favourable lithology (>70%)                                       |
| 2.0                          |   |   | Several well defined targets                             | Favourable lithology with structures                              |
| 2.5                          |   |   | Several significant sub-economic intersections           |   |
| 3.0                          |   |   |  | Favourable lithology with structures along strike of a major mine |
| 3.5                          | Abundant workings/mines with significant historical production                |   |  |   |
| >4.0                         | Along strike from world class mine(s)   | Major mine with significant historical production | Several significant ore grade co-relatable intersections |   |

*Source: Adamson, R. et al, 2014, Valuation & Appraisal of Mineral Projects, SMEDG, 28 August 2014*

### *Base Acquisition Cost (BAC)*

The keystone of the method is the Basic Acquisition Cost (BAC also known as the base holding cost), which provides a standard base from which to commence a valuation. The acquisition and holding costs of a tenement for one year provides a reasonable, and importantly, consistent starting point. Presumably when a tenement is pegged for the first time by an explorer the tenement has been judged to be worth at least the acquisition and holding cost.

#### *- Australian Holding Costs*

It may be argued that on occasions an EL may be converted to a ML expediently for strategic reasons rather than based on exploration success, and hence it is unreasonable to value such a ML starting at a relatively high BAC compared to that of an EL. In Agricola's opinion, Exploration ground should be valued on the basis of an Exploration Licence without regard to the actual tenement type.

Effective 1 July 2017, new applications for Exploration Licences in Western Australia, for example, attract an application fee of \$1362; annual rent of \$134 per block, minimum annual expenditure of \$1,000 per block and a 10% administration fee. Based on a centrally located block of 3 km<sup>2</sup> and assuming an application of 25 blocks, this implies a holding cost (BAC) of approximately \$430 per square kilometre. This holding cost will be higher for EL applications less than 20 blocks. Agricola's experience has confirmed this holding cost is appropriate for other parts of Australia where exploration or valuations have been carried out.

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

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

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

It is recognised that further exploration potential may exist within the tenement boundaries and when a mineral resource has already been estimated in

accordance with the JORC Code a hypothetical willing but not too anxious purchaser may consider additional value for surrounding untested ground. The possibility of undrilled extensions to mineral resources may be considered in the market factor assessment.

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

- *Overseas Jurisdictions Holding Costs*

Many overseas jurisdictions do not specify a minimum expenditure commitment but require that sufficient work be completed in the first year to allow granting of the tenement into the second year. This usually requires preparation of a report with results of exploration carried out. For example with a grass roots portfolio 500 square kilometres in the first year the expenditure would be approximately US\$200,000 which is appropriate for early work of desktop studies, field visits rock chip sampling and general research. Agricola believes an Australian company would consider this reasonable for the first phase of work in any country based on its experience with exploration budgets.

A company may well choose to spend more than that and budgets of US\$0.5 to \$1.0 million are not uncommon but these budgets are usually based on significant previous encouragement such as scout drilling, aeromagnetic targets etc. The BAC is designed for grass roots projects where no earlier work is available and only regional selection information is available.

A conceptual minimum exploration budget was compiled to assess the BAC in overseas jurisdictions<sup>3</sup>:

| Conceptual Minimum Year 1 Exploration Program, A\$/km <sup>2</sup> |           |          |
|--|-----------|----------|
|  | Australia | Overseas |
| Application Fee, A\$/km <sup>2</sup>                               | 50        | 50       |
| Rent, A\$/km <sup>2</sup>  | 50        | 50       |
| Surface Exploration, A\$/km <sup>2</sup>                           | 300       | 350      |
| Administration, 10%  | 30        | 35       |
| Establishment & Legal  |           | 15       |
| Total  | 430       | 500      |

<sup>3</sup> Exploration Program estimates are rounded to significant figures in line with the accuracy of the approximate numbers, which are based on the experience of the technical specialist.



### *Other Estimates of BAC*

The Geoscientific or Modified Kilburn method of valuation, as described by Kilburn (1990), attempts to quantify the relevant technical aspects of a property through the use of appropriate multipliers (factors) applied to an appropriate base (or intrinsic) value. The intrinsic value is referred to as the Base Acquisition Cost (BAC), and is critical as it forms the standard base from which to commence a valuation. It represents “the average cost to identify, apply for and retain a base unit of area of title.

There is a wide variety of opinions on the appropriate BAC from various specialists. Some of this variation can be ascribed to the time of the assessment and some to the experience of the specialist.

- *Helm, S, 2008, Independent Valuation Of The Mineral Assets Of Jupiter Mines Ltd And Those Vended In By Red Rock Resources Plc, Snowden Mining consultants, 19 December 2008*

Snowden’s has determined the following BACs for the states of Western Australia and the Northern Territory:

- in Western Australia there are three classes of mineral tenement, the exploration licence, the prospecting licence and the mining lease:
  - o Mining lease (“ML”): \$11,500 / km<sup>2</sup> or \$115 / ha;
  - o Exploration licence (“EL”): **\$342 / km<sup>2</sup>**;
  - o Prospecting licence (“PL”): \$4,200 / km<sup>2</sup> or \$42 / ha.
- in the Northern Territory, Snowden has determined a BAC for ELs of **A\$360/km<sup>2</sup>** which incorporates annual rental and application fees in addition to nominal minimum expenditure.

*Note: Estimates based on 2008 fees and charges. These have increased, effective 1 June 2017. With inflation to 2018 these values equate to A\$415 for Western Australia and \$437 for Northern Territory.*

- *Salva Mining Consultants, 2018, Independent Mineral Asset Valuation Report– Comet Vale & Golden Lode Projects, Moore Stephens Perth Corporate Services Pty Ltd. February 2018*

‘To determine fair value for Comet Vale and Golden Lode Projects based on the cost approach, Salva Mining has assumed a Base Holding Cost (BHC) of **A\$500/km<sup>2</sup>**. Appropriate multiplying factors have been chosen for each of the tenements and technical value for each tenement has been calculated.’

*Note: Comet Vale and Golden Lode are mature tenement groups with mineral resources and prior mining. The projects include mining leases and prospecting licences.*

- *SRK Consulting (Australasia) Pty Ltd, 2015, Independent Technical Review and Mineral Resource Valuation Mungana Goldmines Ltd, Report Prepared for Grant Thornton Corporate Finance Pty Ltd, May 2015*

“SRK has used a BAC of **A\$550/km<sup>2</sup>** for Queensland, which is in line with recent valuation reports by Agricola, Xstract Mining Consultants and Optiro. SRK has

assessed the Market Factor so that the average A\$/km<sup>2</sup> factor for all licences assessed, is similar to the area-based valuation factor derived from the market analysis.”

- *Mithchell, S. 2014, Independent Valuation Prepared On Behalf Of Axg Mining Limited, Norseman area, Western Australia, 14 November 2014*

Base Acquisition Cost represents the exploration cost for the current period of the tenements. Based on the following parameters: The historical base acquisition cost for the tenement is between **\$300-\$325/km<sup>2</sup>**. Examination of the geology, magnetics, gravity and electromagnetic data together with previous exploration activity would indicate that between 30-35% of the tenement area is prospective, and The tenement is granted with a factor of 1.0 applied Inflation at approximately 2.0% per annum

*Note: BAC is based on historic holding costs adjusted for inflation. This equates to A\$314 to A\$340 in 2018 dollars.*

- *Andrew Vigar, 2014, Valuation Report on the Kharmagtai Project, Mongolia, Prepared by Mining Associates Pty Ltd for Grant Thornton, Effective Date: 25 March 2014*

In Mongolia the only fixed cost requirements for licences are annual licence rental fees: there are no minimum expenditure requirements. Annual fees are applied on a per hectare basis and vary depending on the year since granting of the licence. Exploration licence fees vary from USD 0.05/Ha to USD1.5/Ha, and mining licence fees vary from USD 5.0/Ha to USD 10/Ha. Since the Kharmagtai licence is a mining licence in its first year of granting, fees of **USD 5.0/Ha (USD500/km<sup>2</sup>)** currently apply.

*Note: This assessment only counts annual fees and does not allow for a reasonable minimum exploration program.*

- *Pyper, R. 2014, Independent Valuation Of The Kitgum Graphite Project Held Under EL1025, Uganda. Minnelex Pty Ltd*

The BAC for overseas tenements is much higher than for those in Australia because of the difficulties in getting established and estimates range from around **\$2000 to over \$3000/km<sup>2</sup>**.

*Note: assessment based on business conditions in Uganda and clearly overstated the BAC.*

#### *Multiple of Exploration Expenditure*

The cost approach to exploration property valuation is sometimes used, as a secondary method to valuation of exploration properties not yet advanced enough to estimate mineral resources. Various valuation methods exist which make reference to historical exploration expenditure. One such method is based on a 'multiple of historical exploration expenditure'. Successful application of this method relies on the specialist assessing the extent to which past

exploration expenditure is likely to lead to a target resource being discovered, as well as working out the appropriate multiple to apply to such expenditure.

The direct use of historical costs raises several issues:

- The exploration must be relevant
- The exploration must be effective
- Exploration companies accounting methods are different and administration costs can be excessive
- Old expenditure must be adjusted for time
- Duplication of work might have taken place
- Recommended PEMs do not have meaningful derivation

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

#### **PROSPECTIVITY ENHANCEMENT MULTIPLIERS**

| <b>CATEGORY</b> | <b>TECHNICAL APPRAISAL</b>   | <b>APPLICABLE PEM RANGE</b> |
|-----------------|--|-----------------------------|
| 1               | Limited potential for mineralisation of economic significance and/or prospectivity has been downgraded by exploration carried out prior to valuation date. | 0.5 – 0.9                   |
| 2               | Exploration data (historical and/or current) consists of pre- drilling surveys with results sufficiently encouraging to warrant further exploration.       | 1.0 – 1.4                   |
| 3               | One or more prospects defined by geology, geochemistry and/or geophysics to the extent they present drill targets having likely economic potential.        | 1.5 – 1.9                   |
| 4               | One or more targets with significantly mineralised drill hole intersections within a clearly prospective geological context.                               | 2.0 – 2.4                   |
| 5               | Exploration well advanced and infill drilling warranted in order to define or up-grade to the stage that mineral resources can be estimated.               | 2.5 – 2.9                   |
| 6               | Indicated resources have been defined but a pre-feasibility study has not recently been completed.   | 3-0                         |

*Source: Adamson, R. et al, 2014, Valuation & Appraisal of Mineral Projects, SMEDG, 28 August 2014*

## VALUATION ASSESSMENT

| <b>Mineral Assets Classification</b> |   |
|--------------------------------------|---|
| Pre-development projects             | <p><i>Mineral assets with Feasibility Studies</i> - Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken;</p> <ul style="list-style-type: none"> <li>• <b>Projects:</b> none</li> </ul> <p><i>Valuation Methods: Comparable Transactions, <b>Discounted Cash Flow</b> (if Ore Reserves have been estimated)</i></p>            |
| Advanced exploration projects        | <p><i>Mineral assets with Mineral Resources</i> - Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category;</p> <ul style="list-style-type: none"> <li>• <b>Projects:</b> none</li> </ul> <p><i>Valuation Methods: <b>Unit Value - \$/oz, Comparable Transactions.</b></i></p> |
| Early stage exploration projects     | <p><i>Mineral assets in the exploration stage</i> - Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified;</p> <ul style="list-style-type: none"> <li>• <b>Projects:</b> <p>Tore Exploration Licences EL03 and EL04. Northern Bougainville; Kimberley, Indiana, Ngalia Projects in Australia;</p> </li> </ul> <p><i>Valuation Methods: <b>Geo Rating, Comparable Transactions</b></i></p>  |

*Agricola's preferred valuation method is in bold print*

The valuation approaches that are generally adopted for exploration areas are broadly defined as inferential methods that rely on comparative or subjective inputs such as the rule of thumb or appraised value methods. These include the estimated mineral content and a value of the mineral derived from recent transactions. Typically, such a method values the property in \$ per unit area or \$ per tonne resource. The value would be discounted by any specific site factors as well as the status of the resource classification.

An understanding of the geology, structure and exploration results places the mineral area in the Exploration classification phase. A large range of valuation methods are recognised for this status with some requiring a degree of subjective estimation. All have been used by valuation practitioners and usually a combination of methods is used as a cross check to the reasonableness of the input assumptions.

A meaningful value using discounted cash flow method for these projects cannot be obtained as further work is needed to delineate/ augment JORC Reserves for these prospects. Therefore, for valuation of these mineral assets, income based approaches may not be appropriate.

Therefore, in accordance with Section 8.3 of the VALMIN 2015 code, Agricola has used two approaches “Market Comparable” and “Cost based Geoscientific Rating”, to derive the Reasonable Value of the Mineral Assets included under the scope of this Report. The selection of these two approaches are based on factors such as:

- development status of the Mineral Assets; and
- extent and reliability of available information.

In Agricola’s opinion, the Company’s projects is a mature exploration project where small mineral resources have been identified and as discussed above, market comparative method and cost based methods are generally used to value such type of projects. Therefore, Agricola has preferred to apply a combination of two methods to value the project due to the uncertainties attached to its progress. The valuation methods applied include Method and Cost based Geo-Scientific Rating (Kilburn) method with a cross check by the Market based Comparable Transactions data.

## **EXPLORATION POTENTIAL - GEO-FACTOR RATING**

The Geo Rating Method (also known as the Kilburn Method) attempts to convert a series of scientific opinions about a property into a numeric evaluation system. The success of this method relies on the selection of multiplying factors that reflect the tenement's prospectivity. Several issues need to be addressed for exploration properties:

- Possible extensions of mineralisation from adjacent areas
- Exploration potential for mineralisation within the tenements

| <b>KALIA LIMITED</b>   |                    | <b>Tenement Factors</b> |               |               |
|--|--------------------|-------------------------|---------------|---------------|
| <b>Tenement</b>  | <b>Area</b><br>km2 | <b>Start</b>            | <b>Expiry</b> | <b>Status</b> |
| <b>Bougainville Projects</b>   |                    |                         |               |               |
| EL03   | 865.30             | 15/11/17                | 14/11/20      | Live          |
| EL04   | 838.70             | 15/11/17                | 14/11/20      | Live          |
| Holder: Kalia Investment Limited (75%), Toremama Resources Limited (25%) |                    |                         |               |               |
| <b>Australian Projects</b>   |                    |                         |               |               |
| Kimberley, WA  | 420.00             |                         |               |               |
| E80/5012   | 87.00              | 23/11/17                | 22/11/22      | Live          |
| E80/5013   | 333.00             | 23/11/17                | 22/11/22      | Live          |
| Indiana, NT  | 1,260.94           |                         |               |               |
| EL31275  | 192.43             | 10/1/17                 | 9/1/23        | Live          |
| EL31391  | 119.80             | 26/4/17                 | 25/4/23       | Live          |
| EL31542  | 227.08             | 7/2/18                  | 6/2/24        | Live          |
| ELA31537   | 721.63             |                         |               | Pending       |
| Ngalia, NT   | 1,508.40           |                         |               |               |
| ELA31392   | 745.70             |                         |               | Pending       |
| ELA31393   | 762.70             |                         |               | Pending       |
| Holder: GBE Explorations Pty Ltd   |                    |                         |               |               |

The specialist must specify the key aspects of the valuation process and must specify and rank aspects, which enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost ("BAC") which is the average cost incurred to acquire a base unit area (square kilometre) of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC.

The Geo Rating method (potential for further discoveries) is appropriate for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to assess the various elements of the Geo Rating Method.

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

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. Agricola prefers the Geo Rating approach because it endeavours to implement a system that is systematic and defensible.

### *Base Acquisition Cost (BAC)*

The Basic Acquisition Cost (also known as the base holding cost) is the important input to the Geo Rating Method and it is assessed by estimating the statutory expenditure for a period of 12 months for a first stage exploration tenement such as an Exploration License (the first year holding cost).

Exploration tenements attract an application fee; minimum annual expenditure for the first work period, annual rent and administration fees.

A conceptual minimum exploration budget was compiled to assess the BAC<sup>4</sup>:

| <b>Conceptual Minimum Year 1 Exploration Program, A\$/km2</b> |               |               |
|---|---------------|---------------|
|   | Low           | High          |
| Application Fee, A\$/km2                                      | 50.00         | 50.00         |
| Rent, A\$/km2   | 50.00         | 50.00         |
| Regional Mapping, A\$/km2                                     | 90.00         | 110.00        |
| Rock Chip Sampling, A\$/km2                                   | 90.00         | 125.00        |
| Soil Sampling, A\$/km2  | 80.00         | 120.00        |
| Administration, 10%   | 40.00         | 45.00         |
| <b>Total</b>  | <b>400.00</b> | <b>500.00</b> |

This implies a holding cost (BAC) of \$400 to \$500 per square kilometre. Exploration Licences in Northern Bougainville do not require a firm exploration commitment though a work program must be presented with the application. Agricola's experience has confirmed this range to be appropriate in Australia and overseas where exploration or valuations have been carried out.

### *Tenement Status*

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

- The Tore project tenements are both granted and attract a 'grant factor' of 100%
- The Australian projects include both granted and pending tenements. Granted tenements attract a 'grant factor' of 100% and pending tenements attract a 'grant factor' of 60%.

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<sup>4</sup> Exploration Program estimates are rounded to significant figures in line with the accuracy of the approximate numbers, which are based on the experience of the technical specialist.

### *Equity*

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

- The Tore project and the Australian projects are valued on the basis of 100% equity.

*On the basis of the 100% Grant Factor (60% for pending tenements) and 100% Equity, a BAC of \$400 per square kilometre is applied to the valuation and A\$240 per square kilometre for pending tenements..*

### *Prospectivity Assessment Factors*

#### *Geo Ratings*

The Geo Rating method provides the most appropriate approach to utilise in the technical valuation of the exploration potential of mineral properties on which there are no defined resources.

The method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied to the BAC of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. The attributes are:

- the Off-property factor – nearby properties containing physical indications of favourable mining conditions such as old workings and/or mines;
- the On-property factor – the property being assessed hosts favourable mining indications such as historic workings or mines. Importantly any mineralisation capable of supporting a Mineral Resource estimate, compliant according to the guidelines of the JORC Code, will be assessed using other valuation methods;
- the Anomaly factor – assesses the degree of exploration completed over the property and the number of resultant mineralised targets identified; and
- the Geological factor – assesses the area covered by and degree of exposure of favourable rock types and/or structures (if this is related to the mineralisation style being assessed) within the property.

The geo factors were arrived at after careful consideration of the results so far obtained, the potential for future discoveries. It is based on professional judgement and experience in the mining industry.

These attributes are given incremental, fractional or integer ratings to arrive at a series of multiplier factors. These multipliers are then applied sequentially to the BAC to estimate the Technical Value of each mineral property. This is adjusted for local market conditions to determine the Fair Market Value of the project as at the effective valuation date. The strength of the geo-scientific method is that it makes an attempt to implement a systematic system. Whilst it does require a subjective assessment of the various multipliers, it also demands a degree of



detached rigor to account for the key factors that can be reasonably considered to impact on the exploration potential of a property. Agricola's multipliers or ratings and the criteria for rating selection are summarised in a previous table.

## **Geological Assessment**

### *Off Site*

*Physical indications of favourable evidence for mineralisation, such as workings and mining on the nearby properties, which may or may not be owned by the company being valued. Such indications are mineralised outcrops, old workings through to world-class mines;*

Bougainville is in the same geological region as "The Ring of Fire" chain of deposits. The Panguna Mine, is approximately 60 kilometres southeast of the Tore Exploration Licence areas on the island of Bougainville. When operating the Panguna Mine was considered among the richest in the world. Operations ceased at Panguna due to the "Bougainville Crisis" and the orebody remains with a JORC 2012 resource of 1.84 billion tonnes at 0.30% Copper and 0.34g/t gold.

The Kimberley project covers Big Ben intrusion, the faulted western extension of the Panton Sill, Tickalara Metamorphics and Koongie Park Formation. Historic soil sampling over Big Ben identified anomalous Cr, Pt and Pd values.

The Indiana project is approximately 15km NE of the Basil Copper-Cobalt sulphide prospect that has an Inferred Mineral Resource of 26.5Mt @ 0.57% copper, 0.05% cobalt has been calculated using a 0.3% copper cut-off grade.

*Refer also to the main discussion of the North Bougainville geology in the project description section of the report*

### *On Site*

*Local mineralisation within the tenements and the application of conceptual models within the tenements. Location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor (grade) of any mineralisation known to exist on the property being valued;*

The geology of the Tinputz region that includes the Tore ELs is dominated by andesites, diorites and granodiorites, similar to the Crown Prince Range and Panguna. Four intrusive granodiorites have been identified in the area of the Emperor Range.

The Upper Ramazon is a 20+ km long zone of anomalous Au, Cu and Hg, as defined from stream sediment sampling. In the Uruai River area sampling produced rocks with porphyry style mineralisation. Further targets for Cu and Au were identified within porphyry mineralization in the Puspa region. Epithermal veining was sampled in the Rarie/Puspa area and based on simple field observations and gold analysis highlighted the potential for higher grade epithermal vein style deposits in the region this was supported by airborne geophysics but without any drilling.

Previous work on the Northern Bougainville East tenement (EL03) has focussed on the east tenement and targets developed there for further work. Little previous exploration has been carried out on the West tenement (EL04).

The Kimberley Project is targeting Cu-PGE-Ni mineralisation associated with tholeiitic magmatic intrusions in areas of known mineralisation and potential covered targets.

The exploration activities on the Australian projects are at an early stage.

*Refer also to the main discussion of the-Projectst in the project description section of the report*

### *Anomalies*

*Identified anomalies warranting follow up within the tenements. Geophysical and/or geochemical targets and the number and relative position of anomalies on the property being valued;*

Magnetic data was filtered to highlight possible structural trends in the data: Circular structures indicate potential intrusives bodies and Strong regional features suggest mantle tapping structures. Two coincident circular features bounded by regional structures are apparent in the limited coverage available for processing with the suggestion of other circular features on the edge of the data.

The geochemical sampling indicated the Puspa results were anomalous for Au, Cu, Zn and Te. The rock types described and the chemical assemblage suggest multiple sources including porphyries and epithermal veining. The zinc suggests VMS or polymetallic veining. The Ramazon anomaly is a 20km+ long Au Cu anomaly. The sheer size of the anomaly suggests a large source possibly a porphyry.

The exploration activities on the Australian projects are at an early stage and no anomalous zones have yet been defined.

*Refer also to the main discussion of the Projects in the project description section of the report*

### *Geology*

*The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors. Geological patterns and models appropriate to the property being valued;*

The geology of the Tinputz region that includes the Tore ELs is dominated by andesites, diorites and granodiorites, similar to the Crown Prince Range and Panguna. Four intrusive granodiorites have been identified in the area of the Emperor Range. The Upper Ramazon is a 20+ km long zone of anomalous Au, Cu and Hg, as defined from stream sediment sampling. In the Uruai River area sampling produced rocks with porphyry style mineralisation.

The Australian projects are at an early stage and regional mapping indicated prospective rock types are present.

Refer also to the main discussion of the Wa-Project in the project description section of the report

$$\text{Prospectivity Index} = [\text{Off Site Factor}] \times [\text{On Site Factor}] \times [\text{Anomaly Factor}] \times [\text{Geology Factor}]$$

| <b>KALIA LIMITED</b>  |          | <b>Prospectivity Factors</b> |         |         |        |
|---|----------|------------------------------|---------|---------|--------|
|   | Off Site | On Site                      | Anomaly | Geology | Factor |
| <b>Bougainville Projects</b>  | Low      | Low                          | Low     | Low     | Low    |
| EL03 - Low  | 2.00     | 1.25                         | 1.50    | 1.50    | 5.63   |
| EL03 - High   | 2.50     | 1.50                         | 1.75    | 1.75    | 11.48  |
| EL04 - Low  | 2.00     | 1.00                         | 1.00    | 1.00    | 2.00   |
| EL04 - High   | 2.50     | 1.25                         | 1.25    | 1.25    | 4.88   |
| <b>Australian Projects</b>  |          |                              |         |         |        |
| Kimberley - Low   | 1.00     | 1.00                         | 1.00    | 1.00    | 1.00   |
| Kimberley - High  | 1.00     | 1.00                         | 1.00    | 1.25    | 1.25   |
| Indiana - Low   | 1.00     | 1.00                         | 1.00    | 1.00    | 1.00   |
| Indiana - High  | 1.00     | 1.00                         | 1.00    | 1.25    | 1.25   |
| Ngalia - Low  | 1.00     | 1.00                         | 1.00    | 1.00    | 1.00   |
| Ngalia - High   | 1.00     | 1.00                         | 1.00    | 1.25    | 1.25   |
| <i>Prospectivity Index = [Off Site Factor]*[On Site Factor]*[Anomaly Factor]*[Geology Factor]</i> |          |                              |         |         |        |

## Technical Value

An estimate of technical value has been compiled for the tenements based on the base value, and ratings for prospectivity. For the purpose of this valuation the preferred value is selected at the average of the Low and High estimates. The Values have been rounded to appropriately significant figures in accordance with the JORC Code 2012, clause 25.

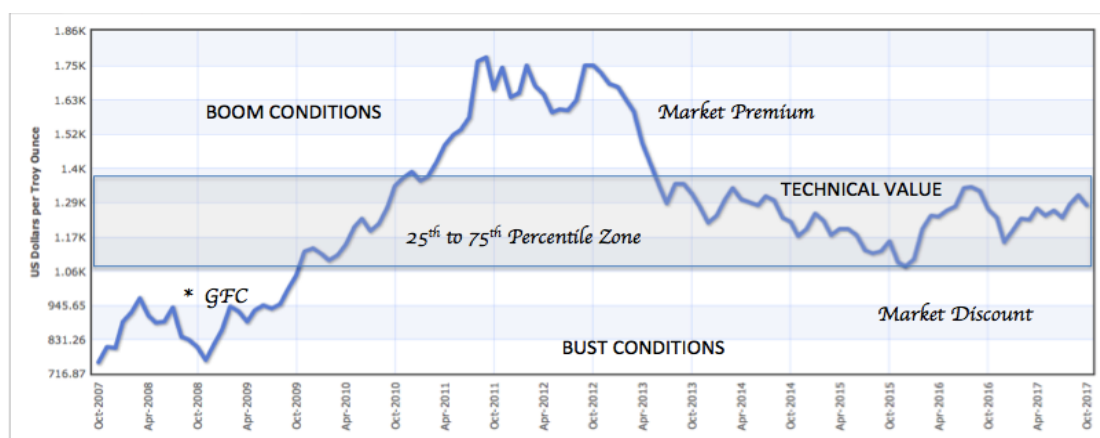
| <b>KALIA LIMITED</b>  |  | <b>Base Value</b> |     | <b>Prospectivity Index</b> |       | <b>Technical Value</b> |           |
|---|--|-------------------|-----|----------------------------|-------|------------------------|-----------|
|   |  | A\$/km2           |     |                            |       | A\$/km2                |           |
|   |  | Low               | Low | High                       | Low   | High                   | Preferred |
| <b>Bougainville Projects</b>  |  |                   |     |                            |       |                        |           |
| EL03  |  | 400               | 5.6 | 11.5                       | 2,250 | 4,590                  | 3,420     |
| EL04  |  | 400               | 2.0 | 4.9                        | 800   | 1,950                  | 1,375     |
| <b>Australian Projects</b>  |  |                   |     |                            |       |                        |           |
| Kimberley, WA   |  | 400               | 1.0 | 1.3                        | 400   | 500                    | 450       |
| Indiana, NT   |  | 320               | 1.0 | 1.3                        | 320   | 400                    | 360       |
| Ngalia, NT  |  | 240               | 1.0 | 1.3                        | 240   | 300                    | 270       |
| <i>Ngalia, NT A\$320 = weighted average of granted and pending tenements</i>                      |  |                   |     |                            |       |                        |           |
| <i>Base Value = [BAC]* [Grant Factor]*[Equity Factor]*[BAC]</i>                                   |  |                   |     |                            |       |                        |           |
| <i>Prospectivity Index = [Off Site Factor]*[On Site Factor]*[Anomaly Factor]*[Geology Factor]</i> |  |                   |     |                            |       |                        |           |
| <i>Technical Value Rate/km2 = [Base Value]*[Prospectivity Index]</i>                              |  |                   |     |                            |       |                        |           |
| <i>Preferred Value = 40% of the difference from Low to High</i>                                   |  |                   |     |                            |       |                        |           |

| <b>KALIA LIMITED</b>         |                     | <b>Summary Technical Value, A\$</b> |                  |                  |
|------------------------------|---------------------|-------------------------------------|------------------|------------------|
|                              | <b>Area<br/>km2</b> | <b>Low</b>                          | <b>High</b>      | <b>Preferred</b> |
| <b>Bougainville Projects</b> |                     |                                     |                  |                  |
| EL03                         |                     |                                     |                  |                  |
| A\$/km2                      |                     | 2,250                               | 4,590            | 3,420            |
| Total Value, A\$             | 865.30              | 1,947,000                           | 3,972,000        | 2,959,000        |
| EL04                         |                     |                                     |                  |                  |
| A\$/km2                      |                     | 800                                 | 1,950            | 1,375            |
| Total Value, A\$             | 838.70              | 671,000                             | 1,635,000        | 1,153,000        |
| <b>Total, A\$</b>            |                     | <b>2,618,000</b>                    | <b>5,607,000</b> | <b>4,112,000</b> |
| <b>Australian Projects</b>   |                     |                                     |                  |                  |
| Kimberley, WA                |                     |                                     |                  |                  |
| A\$/km2                      |                     | 400                                 | 500              | 450              |
| Total Value, A\$             | 420.00              | 168,000                             | 210,000          | 189,000          |
| Indiana, NT                  |                     |                                     |                  |                  |
| A\$/km2                      |                     | 320                                 | 400              | 360              |
| Total Value, A\$             | 1,260.94            | 404,000                             | 504,000          | 454,000          |
| Ngalia, NT                   |                     |                                     |                  |                  |
| A\$/km2                      |                     | 240                                 | 300              | 270              |
| Total Value, A\$             | 1,508.40            | 362,000                             | 453,000          | 407,000          |
| <b>Total, A\$</b>            |                     | <b>934,000</b>                      | <b>1,167,000</b> | <b>1,050,000</b> |

## MARKET VALUE

### *Market Premium or Discount*

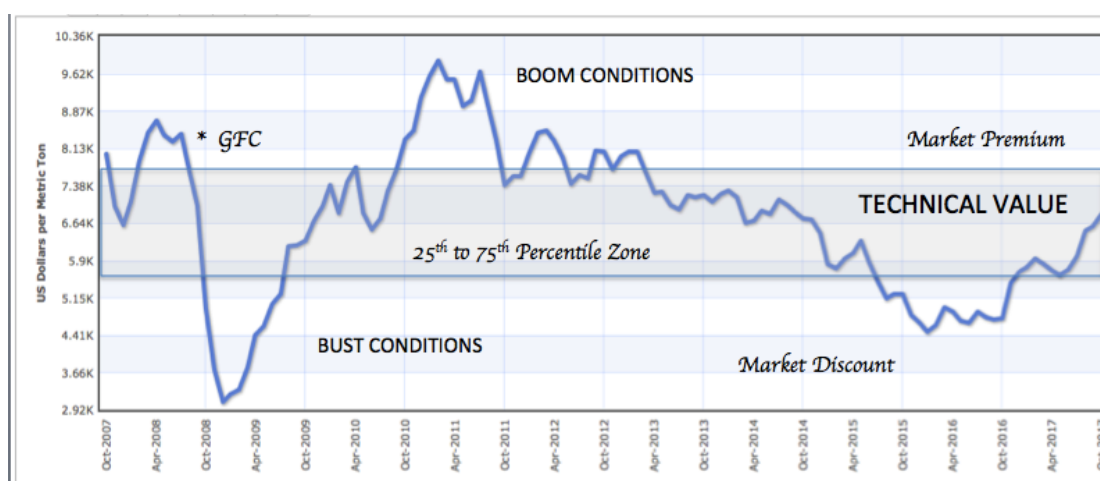
Mineral Assets are volatile in nature and show marked cyclicality. In boom times the market may pay a premium over the technical value for high quality Assets (i.e. assets that hold defined resources that are likely to be mined profitably in the short-term or projects that are believed to have the potential to develop into mining operations in the short term even though no resources have been defined). On the other hand in times of depressed conditions exploration tenements that have no defined attributes apart from interesting geology or a good address may well trade at a discount to technical value.



Description: Gold (UK), 99.5% fine, London afternoon fixing, average of daily rates

### *International Gold Price variations 2007 to 2017*

A review of the International gold and copper prices over the last 10 years suggests that market premiums/discounts are in line with the estimated range of technical value. Other considerations may play a part in ascribing a premium or discount. Deciding on the level of discount or premium is entirely a matter of the technical expert's professional judgment. This judgment must of course take account of the commodity potential of the tenement, the proximity of an asset to an established processing facility and the size of the land holding.



Description: Copper (LME), grade A, minimum 99.9935% purity, cathodes and wire bar shapes, settlement price

### *International Copper Price variations 2007 to 2017*

In view of the alignment of historical gold and copper prices and the 25th-75th percentile range **no premium or discount** has been applied to the Technical Value.

Agricola is satisfied that the assumptions on technical parameters and risks are reasonable.

#### Summary of Technical Value

| <b>KALIA LIMITED</b>         | <b>Summary Technical Value, A\$M</b> |             |                  |
|------------------------------|--------------------------------------|-------------|------------------|
|                              | <b>Low</b>                           | <b>High</b> | <b>Preferred</b> |
| <b>Bougainville Projects</b> |                                      |             |                  |
| EL03                         | 1.95                                 | 3.97        | 2.96             |
| EL04                         | 0.67                                 | 1.64        | 1.15             |
| <b>Sub Total</b>             | <b>2.62</b>                          | <b>5.61</b> | <b>4.11</b>      |
| <b>Australian Projects</b>   |                                      |             |                  |
| Kimberley, WA                | 0.17                                 | 0.21        | 0.19             |
| Indiana, NT                  | 0.40                                 | 0.50        | 0.45             |
| Ngalia, NT                   | 0.36                                 | 0.45        | 0.41             |
| <b>Sub Total</b>             | <b>0.93</b>                          | <b>1.17</b> | <b>1.05</b>      |
| <b>TOTAL</b>                 | <b>3.55</b>                          | <b>6.77</b> | <b>5.16</b>      |

#### Summary of Market Value

$$\text{Market Value} = [\text{Technical Value}] * [\text{Adjusted Market Factor}]$$

| <b>KALIA LIMITED</b>         | <b>Market factor</b> | <b>Market Value, A\$M</b> |             |                  |
|------------------------------|----------------------|---------------------------|-------------|------------------|
|                              |                      | <b>Low</b>                | <b>High</b> | <b>Preferred</b> |
| <b>Bougainville Projects</b> |                      |                           |             |                  |
| EL03                         | 100%                 | 1.95                      | 3.97        | 2.96             |
| EL04                         | 100%                 | 0.67                      | 1.64        | 1.15             |
| <b>Sub Total</b>             |                      | <b>2.62</b>               | <b>5.61</b> | <b>4.11</b>      |
| <b>Australian Projects</b>   |                      |                           |             |                  |
| Kimberley, WA                | 100%                 | 0.17                      | 0.21        | 0.19             |
| Indiana, NT                  | 100%                 | 0.40                      | 0.50        | 0.45             |
| Ngalia, NT                   | 100%                 | 0.36                      | 0.45        | 0.41             |
| <b>Sub Total</b>             |                      | <b>0.93</b>               | <b>1.17</b> | <b>1.05</b>      |
| <b>TOTAL</b>                 |                      | <b>3.55</b>               | <b>6.77</b> | <b>5.16</b>      |

## Comparable Transactions for Exploration Properties - \$/km<sup>2</sup>

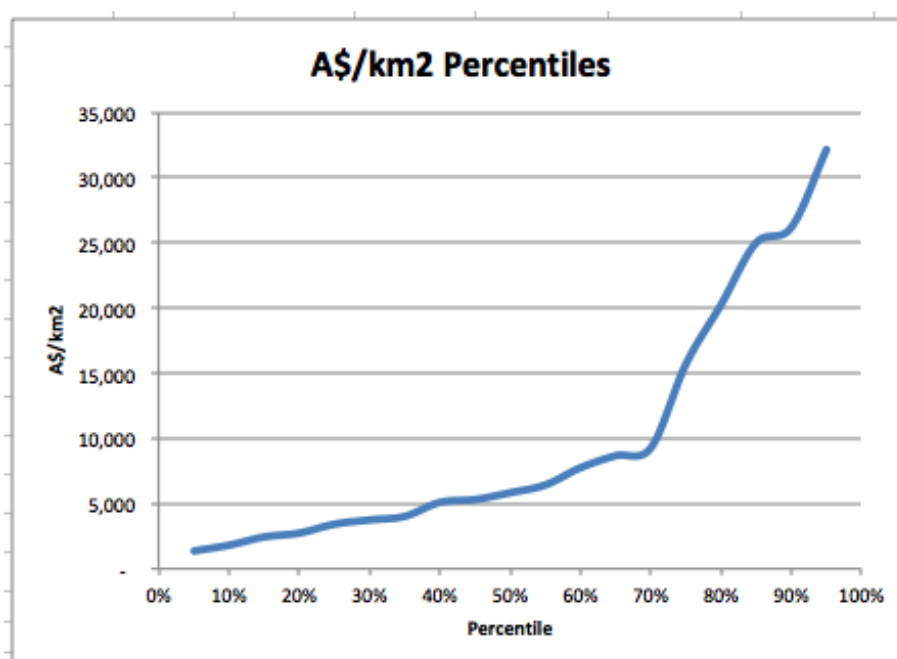
A comparable transactions method used for valuing Mineral Assets without identified Resources is based on conversion of comparable sales data to a unit area (per km<sup>2</sup> or per ha). It is probably the most difficult comparative tool to justify.

A search for recent publicly available market transactions involving comparable exploration projects suggests the following implied values for exploration projects. The compilation is considered to be relevant to the current market in exploration projects.

| <b>Project Quality Assessment - Exploration Projects</b> |            |                |             |
|--|------------|----------------|-------------|
| Range of Values, A\$/oz                                  | <i>Low</i> | <i>Average</i> | <i>High</i> |
| Low  | \$1,350    | \$4,000        | \$9,000     |
| High   | \$4,000    | \$9,000        | \$32,000    |
| Preferred  | \$2,675    | \$6,500        | \$20,500    |

| <b>Percentiles - Exploration Projects</b> |       |       |        |
|---|-------|-------|--------|
| 5%  | 1,376 | 55%   | 6,433  |
| 10%                                       | 1,811 | 60%   | 7,755  |
| 15%                                       | 2,445 | 65%   | 8,678  |
| 20%                                       | 2,742 | 70%   | 9,264  |
| 25%                                       | 3,425 | 75%   | 15,694 |
| 30%                                       | 3,750 | 80%   | 20,259 |
| 35%                                       | 4,024 | 85%   | 25,000 |
| 40%                                       | 5,098 | 90%   | 26,184 |
| 45%                                       | 5,316 | 95%   | 32,155 |
| 50%                                       | 5,838 | Count | 26     |

*Percentile ranges of sales shown in the table below*



| <b>Comparable Transactions - Exploration Potential – A\$/km2</b> |                       |                        |                     |                      |                |
|--|-----------------------|------------------------|---------------------|----------------------|----------------|
| <b>Project, Location</b>   | <b>Acquirer</b>       | <b>Vendor</b>          | <b>Area<br/>km2</b> | <b>Sale<br/>A\$M</b> | <b>A\$/km2</b> |
| <b>Gold Projects - Exploration Potential</b>                     |                       |                        |                     |                      |                |
| Hogans, WA   | Newmont               | Gladiator              | 325                 | 1.86                 | 5,723          |
| E40/212, WA  | Lumacom               | Undisclosed            | 50                  | 0.19                 | 3,800          |
| Western Shaw, WA   | Atlas Iron            | Buxton                 | 127                 | 0.33                 | 2,598          |
| Dundas, WA   | Australasia Gold      | Private                | 660                 | 1.81                 | 2,742          |
| Sunday, WA   | Aust. Min. Fields     | Hannans Reward         | 49                  | 0.38                 | 7,755          |
| Narnoo   | A1 Minerals           | Desertex               | 470                 | 0.77                 | 1,638          |
| Yagahong   | Silver Swan           | Mercator               | 600                 | 2.00                 | 3,333          |
| Kuaby Well   | Silver Swan           | Mawson West            | 84                  | 0.50                 | 5,952          |
| Mt Zephyr, WA  | Newsrest              | Regal                  | 254                 | 0.94                 | 3,701          |
| Scorpion Well, WA  | Meteoric              | Image Resources        | 244                 | 1.00                 | 4,098          |
| Mt Monger, WA  | Integra               | Solomon                | 30                  | 0.53                 | 17,667         |
| Yalgoo, WA   | Ausorex               | Prosperity             | 457                 | 2.33                 | 5,098          |
| Star of Mangaroon  | Prime                 | Fox Resources          | 72                  | 0.63                 | 8,750          |
| Talga Peak   | Mining Prospects      | Oakover                | 180                 | 1.76                 | 9,778          |
| Revere, WA   | Revere                | Enterprize             | 1,403               | 9.25                 | 6,593          |
| Hong Kong  | Clancy Exploration    | Undisclosed            | 40                  | 1.35                 | 33,750         |
| Hardey   | Elysium Resources     | Hardey Resources Pty   | 512                 | 2.65                 | 5,180          |
| Pilbara Gold (ELAs)  | Andromeda Metals      | Mylo Gold & Frontier E | 756                 | 0.50                 | 661            |
| Pilbara Gold   | Kalamazoo Resource    | Private Company        | 252                 | 0.50                 | 1,984          |
| Mount Monger   | Undisclosed           | Poz Minerals           | 73                  | 0.63                 | 8,654          |
| Sunrise Dam South  | Cervantes Corporation | Raven Resources Pty    | 46                  | 0.94                 | 20,259         |
| Avoca & Bailieston Go  | Matsa Resources       | Currawong Resources    | 194                 | 0.25                 | 1,289          |
| Valley Floor   | Tychean Resources     | Valley Floor Resource  | 6                   | 0.15                 | 25,000         |
| Lynas find   | Alloy Resources       | Trafford Resources     | 28                  | 1.30                 | 46,250         |
| Mt Egerton   | 3D Resources          | Tech-Sol Pty           | 19                  | 0.52                 | 27,368         |
| Aurora Tank  | Appollo Minerals      | Marmota Energy         | 48                  | 1.20                 | 25,000         |
|  |                       |                        |                     | Count                | 26             |
|  |                       |                        |                     | Arithmetic Mean      | 10,947         |
|  |                       |                        |                     | Geometric Mean       | 6,475          |
|  |                       |                        |                     | Median               | 5,838          |
| <b>Significant Outliers</b>                                      |                       |                        |                     |                      |                |
| Payne's Find   | Cervantes Corporation | European Lithium       | 7                   | 1.00                 | 142,857        |
| Tick Hill  | Superior Resources    | Diatreme Resources     | 4                   | 1.70                 | 425,000        |
| Tandarra   | Catalyst Metals       | Navarre Minerals       | 69                  | 5.88                 | 85,246         |



The Geofactor method assessed the Market Value for the Tore East Project (EL03) in the range of A\$2,250 to A\$4,590 per square kilometre with a preferred value of A\$3,420 per square kilometre. Previous work has focussed on the east tenement and targets developed there for further work.

The Geofactor method assessed the Market Value for the West Project (EL04) in the range of A\$800 to A\$1,950 per square kilometre with a preferred value of A\$1,375 per square kilometre. Little previous exploration has been carried out on this tenement.

The East tenement is consistent with the Low range for comparative sales shown in the table reflecting the early stage of exploration. The West tenement is rated as an early stage area with little work or encouragement so far.

The Australian projects are considered to be early stage exploration areas where little work has so far been carried out. Some of the tenements are in application stage.

## MARKET CAPITALISATION, ENTERPRISE VALUE AND BOOK VALUE

Agricola has reviewed alternative comparative valuation methods as set out in Regulatory Guide 111: Content of expert reports (RG 111) at RG 111.65, which considers that "an expert should, where possible, use more than one valuation methodology. We consider this reduces the risk that the expert's opinion is distorted by its choice of methodology. We also consider that an expert should compare the figures derived from using the different methodologies and comment of any differences".

Alternative methods such as Market Capitalization (MCap) and Enterprise Value (EV) are not prohibited by RG111 to form the basis of comparable transaction analysis. Both MCap and EV include elements relating to corporate valuation such as cash and debt levels, management skills and reputation and many others, which are independent of mineral asset values.

The acquisition may include many commercial aspects, which do not directly relate to the mineral asset and may not be the same for another independent purchaser. Aspects of MCap and EV are often considered within the framework of an 'Independent Expert's Report' (IER), which may consider an Independent Technical Report (ie a mineral asset valuation report) as a component of its deliberations. In addition, the top down approach is an accounting method that ignores intangibles paid to acquire assets and is not a direct valuation of the mineral or land assets.

The 'Book Value' which companies carry the mineral assets does not necessarily reflect the mineral asset valuation on any particular day. This is an accounting practice and a requirement of proper corporate auditing and may be held steady for long periods as a matter of convenience and expediency.

The true value of a mineral asset (under the Spencer Test) could vary significantly in the short term (sometimes daily or weekly) and this implies that 'Book Value' may not be the value at which an asset is sold.

### *Control Premium*

It is clear from market transactions that the acquisition of a company as a going concern commands a premium for the benefits such as an operating in situ business with existing contracts, employment and staff, including native title, supply and business operations. There are costs savings in not having to "ramp up" a business to get to the profit stage, these benefits are often paid as a premium for the share acquisition to the land interests and reflected in the share purchase price.

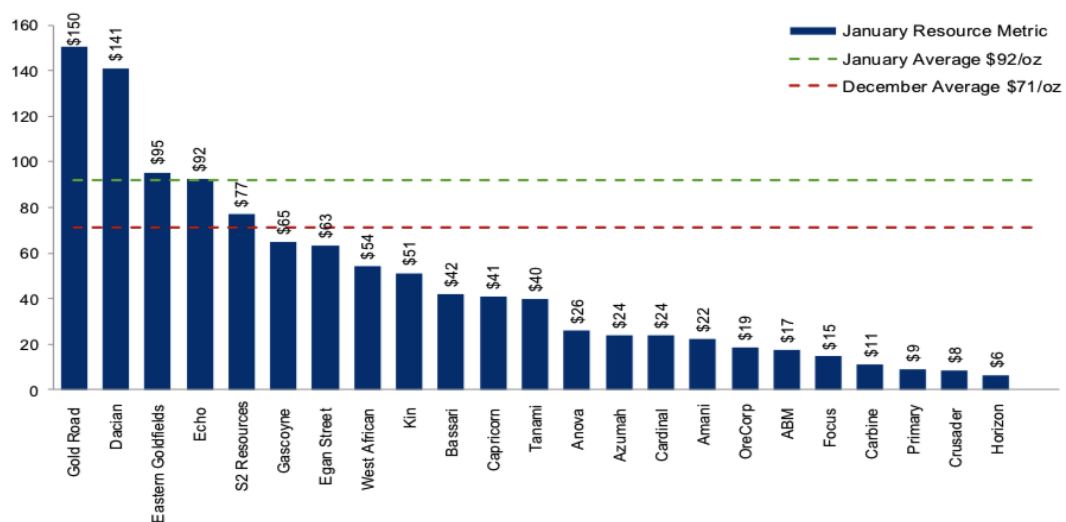
It is well established that on average, premiums of between 20% and 50% are paid for the benefit of the shares in an operating entity. Rudenno (2012, p 304) estimated the premium paid for takeovers in the resources sector is generally in the range of 20% to 35% calculated an average resources adjusted takeover premium as the difference between the closing price the day before the bid announcement and the initial offer price for a value of 33.1 %. The premium over the independent valuation of the company indicated an adjusted average of 30% and an adjusted median of 27.8%. RSM Bird Cameron (2017) calculated a

premium for 134 resource companies of 29.9%, 32.4% and 35.8% for 2, 5 and 20 days prior to the bid or scheme of arrangement announcement respectively, a significant increase over previous years.

#### *Enterprise Value versus Mineral Asset Value*

The market value of a mining company's project(s) (adjusted market capitalisation (AMC) or enterprise value (EV)) is estimated from the market value of the company (market capitalisation) that holds the project(s), or from corporate transaction value (merger or acquisition value).

#### **Explorers & Developers - EV / Resources (A\$/oz AuEq)**



*Source: PCF Resources Thermometer February 2018*

The basic principle is that in addition to giving value to the projects held by a mining company, the market also takes account of corporate items such as goodwill, working capital, debt, hedge book value, other investments, etc in deciding what to pay for the company as a whole. The company's market value must therefore be adjusted by the value of these other items to estimate the value attributed by the market to the mining projects themselves. Note that if a company has an advanced project not yet in production, the company value may be adjusted by the capital required to achieve production, if the valuator wants to estimate and compare project values on an in production basis.

Agricola considers that the expectation of future gain is the main driver for mineral asset valuation of exploration projects as it endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the Spencer Test).

*The preferred methods (in Agricola's opinion) are the **Comparable Transaction** method for mineral resources and the **Geo Rating** and **Multiple of Exploration Expenditure** methods for exploration tenements.*

## PROJECT RISKS

The Tore Project in Northern Bougainville accounts for 90% of the assessed value of the Kalia projects.

Agricola has identified a range of risk elements or risk factors which may affect the future operations and financial performance of the Tore Project. Some of the risk factors are completely external, which is beyond the control of management. However, the project specific risk can be mitigated by advance planning.

### *Resources & Reserve Risk*

No Mineral Resources or Ore Reserves have been estimated for the projects

### *Processing Risk*

Detailed mineral processing test work is required to ascertain characteristics of the projects. It may be possible that unfavourable results from the future samples may jeopardise project viability.

### *Commodity Price Risk*

Gold and copper price and demand are cyclical in nature and subject to significant fluctuations, and any significant decline in the prices of these or demand could materially and adversely affect the Company's business and financial condition results of operations and prospects. Commodity markets are highly competitive and are affected by factors beyond the Company's control, which include but not limited to:

- Global Economic Condition;
- Government and Central Banks actions; and
- Fluctuations in industries with high demand.

If there is a fall in long term metal prices, there would be a substantial reduction in the viability of the project.

### *Mine Infrastructure Associated Risk*

Accessibility of the project is difficult and exploration requires helicopter supported programs. A significant infrastructure facility may need to be upgraded before commencement of mining activity.

### *Mining Approvals, Tenure, and Permits*

During mining, many government permits and approvals may be required to ramp up the capacity and the associated infrastructure facilities. Any delays in obtaining the required approvals may affect the production expansion and the mine plan. This may likely cause the project to overrun that may significantly affect project capital and operating costs.

It is also possible that delays to land access and associated interruptions may occur in the future and that this may have a material impact on the value of the concession.

### *Environmental and Social Risks*

While environmental and social risks have been identified and management plans will be prepared, it is possible that failure to comply with the environment

criteria or failure to maintain good relationships with the local community will have an impact on the project. These risks are not considered to be greater for these projects than any other project.

#### *Geotechnical Risk*

The most likely scenario is for open pit mining if a Mineral Resource is estimated. Some sections of the Project may have potential to be extracted using underground mining method. Geotechnical drilling may be needed to further ascertain the pit wall stability, roof and floor condition of the mine. Unfavourable results from further geotechnical assessments may alter the mine plan, which may in turn have material impact on the value of project.

## VALUATION OPINION

In forming its opinion of the reasonable value of the Company's Projects, Agricola has taken guidance from the comparable market transactions method and Geo-Scientific (Kilburn) method. Agricola has considered the current market, locality, and technical and strategic factors which Agricola has assessed to have an impact on the development of the Project.

Agricola is satisfied that given the early stage of exploration and the exploration potential metrics may be applied to the Tore project as a guide to value per square kilometre.

- The Geofactor method assessed the Market Value for the Tore East Project (EL03) in the range of A\$2,250 to A\$4,590 per square kilometre with a preferred value of A\$3,420 per square kilometre. Previous work has focussed on the east tenement and targets developed there for further work.
- The Geofactor method assessed the Market Value for the West Project (EL04) in the range of A\$800 to A\$1,950 per square kilometre with a preferred value of A\$1,375 per square kilometre. Little previous exploration has been carried out on this tenement.
- The East tenement is consistent with the Low range for comparative sales shown in the table reflecting the early stage of exploration. The West tenement is rated as an early stage area with little work or encouragement so far.
- The Australian projects are considered to be early stage exploration areas where little work has so far been carried out. Some of the tenements are in application stage.

Agricola considers the valuation of the Castle Resources Wa Project to be consistent with the comparative transactions data.

***Based on an assessment of the factors involved, the estimate of the market value for 100% equity in the Tore Exploration Licences, is in the range of A\$2.6 million to A\$5.6 million with a preferred value of A\$4.1 million.***<sup>5</sup>

***Based on an assessment of the factors involved, the estimate of the market value for 100% equity in the Australian Projects, is in the range of A\$0.9 million to A\$1.2 million with a preferred value of A\$1.1 million.***<sup>6</sup>

***This valuation is effective on 7 March 2018.***

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

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<sup>5</sup> Values have been rounded to one decimal place

<sup>6</sup> Values have been rounded to one decimal place

## REFERENCES

Kalia ASX Releases including Quarterly Reports and Corporate Presentations. Available on ASX.com.au and [www.kaliagroup.com](http://www.kaliagroup.com).

1. ASIC, 2011a, “Regulatory Guideline 111 – Content of Expert’s Reports”, March 2011. <http://asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-111-content-of-expert-reports/>
2. ASIC, 2011b, “Regulatory Guideline 112 – Independence of Experts”, March 2011. <http://asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-112-independence-of-experts/>
3. AusIMM, (1998), “Valmin 94 – Mineral Valuation Methodologies”. Australian Taxation Office, 2014, “MRRT Starting Base – Valuations”. [AusIMM Publication](#)
4. AusIMM, 2012, “Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code), prepared by the Joint Ore Reserves Committee (JORC) of the AusIMM, the Australian Institute of Geoscientists (AIG) and the Minerals Council of Australia (MCA)”, (The JORC Code 2012) effective December 2013. [http://www.jorc.org/docs/JORC\\_code\\_2012.pdf](http://www.jorc.org/docs/JORC_code_2012.pdf)
5. AusIMM 2015. “Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets” (The VALMIN Code). [http://www.valmin.org/docs/VALMIN\\_Code\\_2015\\_final.pdf](http://www.valmin.org/docs/VALMIN_Code_2015_final.pdf)
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8. Spencer v. Commonwealth 5 CLR 418, 1907. <https://www.ato.gov.au/law/view/document?Docid=JUD/5CLR418/00002&PIT=99991231235958>

**AGRICOLA MINING CONSULTANTS PTY LTD**

<http://agricolaconsult.com>

## SCHEDULE 3 – PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

|   | Reviewed<br>31 December<br>2017<br>\$ | GRIT<br>transaction<br>\$ | Unaudited<br>Proforma<br>\$ |
|---|---------------------------------------|---------------------------|-----------------------------|
| <b>Assets</b>   |                                       |                           |                             |
| <b>Current assets</b>   |                                       |                           |                             |
| Cash and cash equivalents                                       | 1,352,746                             | 3,000,000                 | 4,352,746                   |
| Trade and other receivables                                     | 99,132                                | -                         | 99,132                      |
| Prepayments   | 18,223                                | -                         | 18,223                      |
| <b>Total current assets</b>                                     | <b>1,470,101</b>                      | <b>3,000,000</b>          | <b>4,470,101</b>            |
| <b>Non-current assets</b>                                       |                                       |                           |                             |
| Property, plant and equipment                                   | 1,414                                 | -                         | 1,414                       |
| Exploration and evaluation expenditure                          | 313,033                               | -                         | 313,033                     |
| <b>Total non-current assets</b>                                 | <b>314,447</b>                        | <b>-</b>                  | <b>314,447</b>              |
| <b>Total assets</b>   | <b>1,784,548</b>                      | <b>3,000,000</b>          | <b>4,784,548</b>            |
| <b>Liabilities</b>  |                                       |                           |                             |
| <b>Current liabilities</b>                                      |                                       |                           |                             |
| Trade and other payables  | 426,277                               | -                         | 426,277                     |
| <b>Total current liabilities</b>                                | <b>426,277</b>                        | <b>-</b>                  | <b>426,277</b>              |
| <b>Non-current liabilities</b>                                  |                                       |                           |                             |
| Loan Facility   | -                                     | 3,000,000                 | 3,000,000                   |
| <b>Total non-current liabilities</b>                            | <b>-</b>                              | <b>3,000,000</b>          | <b>3,000,000</b>            |
| <b>Total liabilities</b>  | <b>426,277</b>                        | <b>3,000,000</b>          | <b>3,426,777</b>            |
| <b>Net assets</b>   | <b>1,358,271</b>                      | <b>-</b>                  | <b>1,358,271</b>            |
| <b>Equity</b>   |                                       |                           |                             |
| Issued capital  | 22,636,231                            | 4,800,000                 | 27,436,231                  |
| Reserves  | 6,307,289                             | (2,433)                   | 6,304,856                   |
| Accumulated losses  | (27,134,372)                          | (5,248,444)               | (32,382,816)                |
| <b>Equity attributable to owners of the parent</b>              | <b>1,809,148</b>                      | <b>(450,877)</b>          | <b>1,358,271</b>            |
| <b>Non-controlling Interest</b>                                 | <b>(450,877)</b>                      | <b>450,877</b>            | <b>-</b>                    |
| <b>Total Equity</b>   | <b>1,358,271</b>                      | <b>-</b>                  | <b>1,358,271</b>            |
| <b>Assumptions</b>  |                                       |                           |                             |
| <b>Value per share to be issued (close price 19 March 2018)</b> | <b>\$0.01</b>                         |                           |                             |
| <b>Loan Facility</b>  | <b>\$3,000,000</b>                    |                           |                             |
| <b>Shares Issued</b>  | <b>480,000,000</b>                    |                           |                             |



## LODGE YOUR VOTE ONLINE



### ONLINE VOTE

[www.advancedshare.com.au/investor-login](http://www.advancedshare.com.au/investor-login)



### MOBILE DEVICE VOTE

Lodge your proxy by scanning the QR code below, and enter your registered postcode.  
It is a fast, convenient and a secure way to lodge your vote.

## 2018 EXTRAORDINARY GENERAL MEETING - VOTING/PROXY FORM

I/We being shareholder(s) of Kalia Limited and entitled to attend and vote hereby:

### APPOINT A PROXY

The Chairman of  
the meeting

OR



**PLEASE NOTE:** If you leave the section blank, the Chairman of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) are named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Extraordinary General Meeting of the Company to be held at 10:30 am (WST), on 11 May 2018 at Offices of HLB Mann Judd, Level 4, 130 Stirling Street Perth WA 6000 and at any adjournment or postponement of that Meeting.

### AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 4 (except where I/we have indicated a different voting intention below) even though Resolution 4 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

### CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

### VOTING DIRECTIONS

#### Agenda Items

|   |  | For                      | Against                  | Abstain*                 |
|---|--|--------------------------|--------------------------|--------------------------|
| 1 | Approval of issue of securities to Global Resources Investment Trust PLC | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 | Grant of Security Interest   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 | Election of Technical Director – Mr Peter Batten                         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 | Issue of Options to Related Party  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 | Ratification of Prior Issue - Shares                                     | <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 your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, all the shareholder should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

☐

Please tick here to agree to receive communications sent by the company via email. This may include meeting notifications, dividend remittance, and selected announcements.

## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

### CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

### APPOINTMENT OF A PROXY

If you wish to appoint the Chairman as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

### DEFAULT TO THE CHAIRMAN OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chairman of the Meeting.

### VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on an item, your vote on that item will be invalid.

**PLEASE NOTE:** If you appoint the Chairman as your proxy (or if he is appointed by default) but do not direct him how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), the Chairman may vote as he sees fit on that item.

### PROXY VOTING BY KEY MANAGEMENT PERSONNEL

If you wish to appoint a Director (other than the Chairman) or other member of the Company's key management personnel, or their closely related parties, as your proxy, you must specify how they should vote on Item 4, by marking the appropriate box. If you do not, your proxy will not be able to exercise your vote for Item 4.

**PLEASE NOTE:** If you appoint the Chairman as your proxy (or if they are appointed by default) but do not direct them how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), the Chairman may vote as they see fit on that item.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- On each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- Return both forms together.

### CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

### SIGNING INSTRUCTIONS ON THE PROXY FORM

#### Individual:

Where the holding is in one name, the security holder must sign.

#### Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

#### Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

#### Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

### LODGE YOUR VOTE

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 10:30 am (WST), on 9 May 2018, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled meeting.



#### ONLINE VOTE

[www.advancedshare.com.au/investor-login](http://www.advancedshare.com.au/investor-login)



#### BY MAIL

Advanced Share Registry Limited  
110 Stirling Hwy, Nedlands WA 6009; or  
PO Box 1156, Nedlands WA 6909



#### BY FAX

+61 8 9262 3723



#### BY EMAIL

[admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)



#### IN PERSON

Advanced Share Registry Limited  
110 Stirling Hwy, Nedlands WA 6009; or



#### ALL ENQUIRIES TO

Telephone: +61 8 9389 8033