

**ASX Announcement
27 April 2018**

Kalia Limited is exploring for copper, gold and energy metals in the Mt Tore region on Bougainville Island and Australia

Directors

Chairman
Hon. David Johnston
Managing Director
Mr Terry Larkan
Technical Director
Mr Peter Batten

Operations

Company Secretary
Mr Phillip Hartog

Issued Capital

Ordinary Shares
2,034,347,391
Unlisted Options
44,500,000
Adviser Options
250,000,000

**Share Price – 26 April
2018**

\$0.009

ASX Code

KLH

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Quarterly Activities Report Quarter Ended March 2018

Kalia Limited (“Kalia” or “the Company”) reports that the following activities occurred during the quarter ended 31 March 2018.

Corporate

- First Exploration Land Access and Compensation Agreement (“Land Access Agreement”) signed in Bougainville on 7 January 2018 paving the way for on ground exploration activities.
- Mr. Nick Burn resigned from the board of directors on 8 January 2018.
- Mr. Peter Batten joined the board of directors on 8 January 2018 in an executive role as Technical Director.
- Tore Joint Venture Shareholder Agreement signed with landowner representative company, Toremana Resources Limited, on 26 January 2018. The Agreement formalises the 75:25 holding in the licence areas through an incorporated joint venture structure where the 72.27% subsidiary, Kalia Holdings Pty Ltd holds the 75% of the licence through its 100% Papua New Guinea registered subsidiary, Kalia Investment Limited.
- Deal structure with Global Resources Investment Trust plc (“GRIT”) to acquire outstanding balance of shares in Kalia Holdings Pty Ltd and thereby securing the full 75% non-landowner held portion of the Bougainville licences announced on 26 February 2018. The transaction is subject to ASX and Shareholder approval.
- \$3million loan facility for exploration activities in Bougainville, subject to completion of the deal with GRIT, also announced on 26 February 2018.
- Interim Financial report for the 6 months ended 31 December 2017 announced on 13 March 2018.
- Announcement of change of Chief Financial Officer and Company Secretary from Mrs. Anna MacKintosh to Mr. Phillip Hartog was made 29 March 2018.
- Formal Share Sale Agreement signed with GRIT on 29 March 2018 to acquire outstanding balance of shares in Kalia Holdings Pty Ltd and thereby securing the full 75% non-landowner held portion of the Bougainville. The completion of the transaction is subject to ASX and Shareholder approval.

Significant events post quarter end

- ASX approval for the proposed GRIT transaction obtained on 9 April 2018. Transaction is now subject only to shareholder approval.
- The Notice of Meeting for Shareholders to consider the proposed GRIT transaction, terms of \$3million loan and previously announced non-transaction related matters was for a meeting to occur at 10h30 on 11 May 2018 at HLB Mann Judd, Level 4, 130 Stirling Street, Perth.

- Assay results announced on 17 April 2018 from follow up fieldwork based on lower indicators from initial fieldwork directed which is progressing toward a priority target area. This is covered in the Tore Project – Bougainville section.

The operational activities in this quarter included;

Tore Project – Bougainville

The shareholder agreement for the project Joint Venture, Tore Joint Venture Limited (TJV), was signed in the last week of January. This was the next step in developing the process of strengthening access to all clan areas for exploration in the eastern Exploration Licence, EL03.

Awareness and consultation continued in the east and west areas. A similar joint venture arrangement with eth clans in the western Exploration Licence, EL04, is expected to be finalised in Q2, 2018.

Since the signing of the TJV in late January two more field trips were completed, bringing the total field trips completed to five.

These initial five expeditions undertaken to investigate sites for exploration were selected from information compiled in desktop studies, from existing data, completed in the build up to the lifting of the Moratorium on Mining Tenement Applications and the eventual issuing of EL03 and EL04 to Kalia/Toremana in November 2017.

Expeditions have been completed to:

- Tai Tai on the basis of a historically recorded geochemical anomaly;
- Pasuna Teaba and Melelup that have historically recorded geophysical and geochemical anomalies; and
- Rarie/Puspa (via Teoveane) with historical records showing geophysical, geological and geochemical anomalies (KLH Announcements Nov27, Dec12, 2017) (Figure 1).

Each expedition requires logistical planning to ensure the landowner observer is approved in terms of the Mining Act and Regulations of 2015, the guides are approved by landowners the number of carriers are optimised for inwards supplies and outwards samples. The team walk into the area of interest carrying all equipment and food for the period of the activity sampling at identified points and any other areas identified to be of interest while in the area. Samples taken on each expedition are carried out to the nearest road entry point.

No laboratory facilities exist on Bougainville or Buka Islands. All samples are initially transported to Lae, Papua New Guinea. The samples are processed at the Intertek sample preparation facility. A pulp of these samples is exported to Intertek's Townsville laboratory and analysed for a suite of elements.

One geological team has been deployed to date. The restriction of resources deployed has been to facilitate confidence in the landowner group that the initial work is not destructive or intrusive. Lower level priority exploration targets at Tai Tai and Pasuna Teabai were used initially. The expeditions to the lower level targets was adopted to mitigate the risk that may have been posed to highly rated targets while proving the untested sampling logistics chain, improving landowner confidence and training local staff. The successful outcomes have enabled the Company to move toward deploying additional technical staff that will see a rapid increase in fieldwork completed on initial sites and the development of projects at locations of in situ mineralisation.

Two additional geologists have been appointed with two community liaison officers. The activities are being managed from leased offices and accommodation at Tinputz (TJV) and Buka (Kalia Investment) using TJV equipment, owned and leased vehicles.

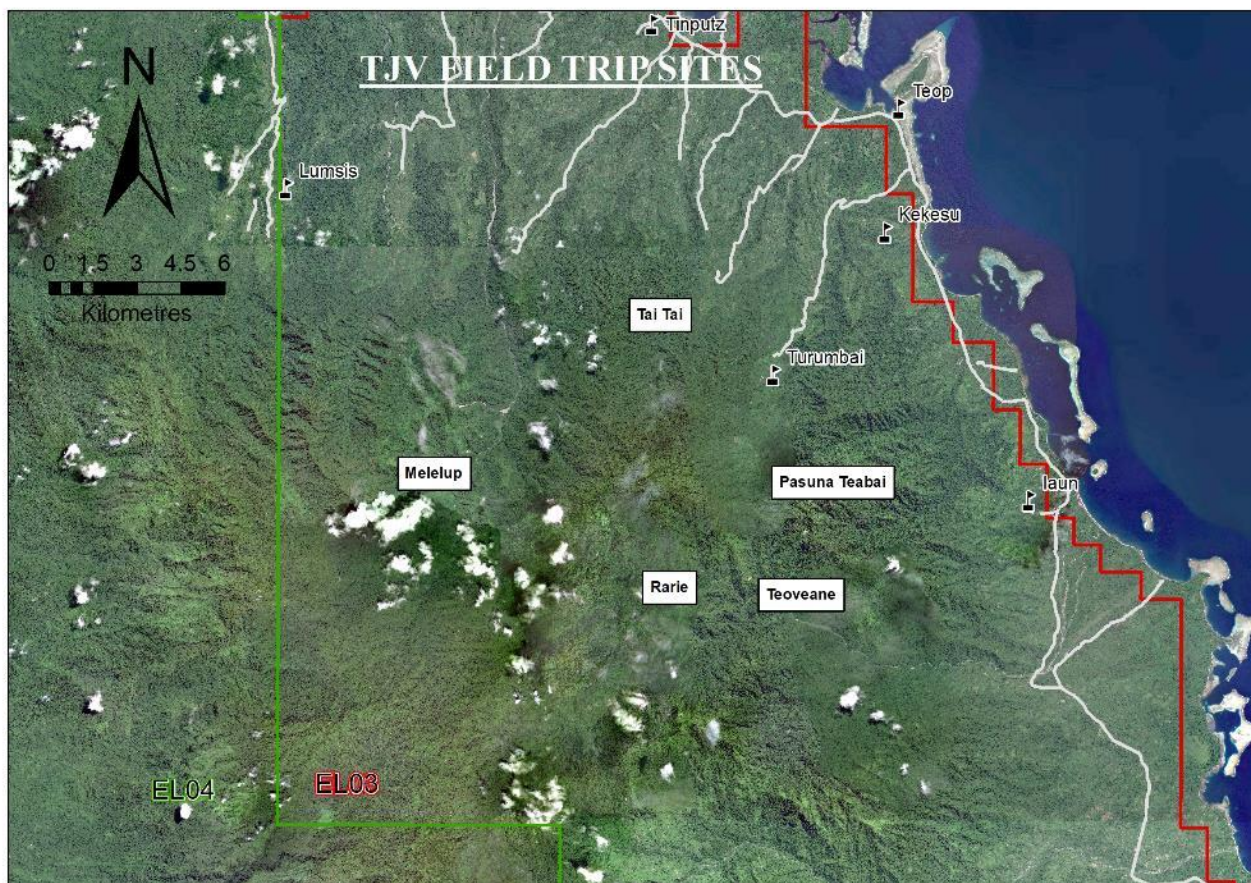


Figure 1. Field Trip Sites

Tai Tai

The field trip to Tai Tai was premised on a minor geochemical anomaly (stream sediment sample) from the work of Rogerson et al, 1989 and anecdotal information of quartz veining in the area.

No significant results were returned from the sampling at Tai Tai.

Pasuna Teabai

The field trip to Pasuna Teabai was predominantly concerned with assessing the topography for potential vehicular access to the region. A low order geophysical anomaly in the vicinity was the basis for sampling.

No significant results were returned from the sampling at Pasuna Teabai.

Figure 2. Significant sample location plan – Melelup. Inset photo of sample 399621 - 0.18% Cu.



Melelup

Melelup is considered a high order of interest area. It hosts one of four identified intrusives in the project areas and contains within this zone several priority geophysical anomalies.

Previous work did not result in any anomalous sample results but the location sits within the Upper Ramazon Anomalous Zone identified by Rogerson et al (1989) and sits within the copper and gold productive intrusions range of the Gold and Copper Fertility Indicators from Michael Agnew's recent publication, "Return to Bougainville – Reassessing the Mineral Potential of a Long-Forgotten Island" (Society of Economic Geologists Newsletter, Number 113, April 2018, KLH website).

The traverse at Melelup commenced at Topis Village and followed the Ramazon River upstream to a position directly beneath the Melelup Peak (Figure 2). Where the river contacted the projected

intrusive position, the samples returned low copper results (<500ppm Cu, <0.05% Cu) with the highest grade returned from sample #399621 (Figure 2, inset) and that peaked at 0.18% Cu (1800ppm Cu).

The samples taken during the Melelup field trip were all river float samples and therefore transported from their origin point.

These anomalous results are encouraging displaying elevated copper levels and identifying the boundary of the search area for forthcoming exploration programmes.

The next field trip will move directly to the emphasised boundary and work from the known position towards outcrop. The programme is planned for this month.

Rarie/Puspa

Rarie/Puspa is the location of one of the four main intrusives in the Tore region and the location of the highest order geophysical anomaly derived from the reprocessing of historic survey data (Figure 3). Geochemical and geological anomalies have been recorded by Rogerson et al (1989) and Tsiperau (2012) in various sites within this area (KLH Announcements Nov27, Dec12, 2017). The Rarie/Puspa intrusive is also highlighted in Michael Agnew's recent publication.

The highly prospective Rarie/Puspa area has been subject to multiple field visits, each progressing closer to the target area. The traverse for Rarie/Puspa starts at Hakop Village and follows the path of the Uruai River to the west. The route passes through Teoveane and then onto the Upper Uruai River to Rarie.

The initial visit was completed in December 2017. Results received in January had sample KTR00063 returning an anomalous gold value of 0.188 ppm Au (0.188 g/t). An anomalous copper result of 647 ppm Cu (0.06% Cu) was also returned but has not been revisited at this point (Figure 3).

The January 2018 results have led to a return visit to Teoveane in March 2018. Final and check results from the March 2018 samples were received on Friday 13 April 2018.

The results of sampling from the second visit to Teoveane produced four anomalies for gold and copper.

Figure 3.





Figure 4. Sample locations at Teoveane.

Rock chip sampling of the adjacent outcrop, 35m from the original anomalous result (KTR00063, Figure 5) produced a gold result of **6.37 ppm Au (6.37 g/t) and 4,561 ppm Cu (0.45% Cu)** in sample KTR00077 (Figure 6), a pervasive quartz vein, minor colloform and vuggy quartz with magnetite and possible biotite and minor epidote (advanced argillic alteration) within an argillised diorite outcrop. Blue/green staining in the vein is potentially malachite/azurite. Other samples on the same outcrop returned gold grades of **0.32 ppm Au (0.32 g/t)** (KTR00076) and **0.19 ppm Au (0.19 g/t)** (KTR00072) neither of these samples returned elevated copper (Table attached).



Figures 5 and 6. Samples KTR00063 and KTR 00077

The alteration of the diorite outcrop appears zoned with epidote at the contact (left hand side of outcrop image, Figure 7). Mineralogy changes to less epidote and introduction of magnetite (and biotite?).



Figure 7. Sampled outcrop at Teoveane, Graeme Magum for scale.

The field trip extended upstream to the north of this outcrop and at a location 1.1km to the north of sample KTR00077 another altered diorite outcrop was sampled (Figure 3). Only one sample (KTR00112) was anomalous with a gold grade of 0.935 ppm Au (0.935 g/t) and elevated copper at 565 ppm Cu (0.05% Cu). All sampling was rockchip from outcrop.

The Mt Tore Joint Venture is exploring for all opportunities but specifically looking to test for porphyry copper gold style mineralisation. It is often difficult to assess the value of exploration results especially the typically low grades that are associated with large disseminated systems.

Like Panguna, Frieda River and Escondida, these systems tend to large tonnages, hundreds of millions of tonnes up to several billion tonnes. Production is then generally of a larger scale and the grade can be quite low. The resource at Panguna, in the south of Bougainville, is 1.83 billion tonnes at grades of 0.30% Cu and 0.342 ppm Au (0.342 g/t) (ASX: BCL website) and Freeport-McMoran

Copper and Gold Inc., the world's largest, listed copper producer, treat material with grades lower than 0.18% Cu equivalent in their Americas operation.

The grades of these initial sample expeditions certainly fall within these ranges but outcrop samples, despite the high grade, do not define a deposit.

Landowner awareness is planned for the Aita area in the south of EL03 and reconciliations are underway at Rarie/Puspa and Melelup. Field trips are planned for Aita, Rarie/Puspa (including Teoveane), Melelup, and at locations in the west yet to be agreed from landowner and TJV discussions.

Kimberley Project

Kalia 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.

Following the grant of the exploration licences in the previous quarter, Kalia has been undertaking ongoing GIS compilation of data from the project area and has generated several targets for field inspection. Kalia will undertake field inspection and check geochemical sampling after the current 'wet season' has ended and field access is suitable.

Indiana Project

Exploration licence (EL) 31542 was granted by the NT Government on 8 February 2018 for a period of six years. Exploration licence application ELA31537 is currently in the 'consent to negotiate' period under the Commonwealth Aboriginal Land Rights Act (ALRA) and is also subject to the standard processes of the Northern Territory Department of Primary Industries and Resources and grant cannot be guaranteed.

Kalia is targeting Cu-Ni-Co 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.

Ongoing GIS compilation of data from the Indiana project area has generated several targets for field inspection. Kalia will undertake field inspection and check geochemical sampling of the historic Blackadder and Baldrick prospects as well as newly generated targets in the coming 2018 field season.

Tenement Schedule (Disclosure per ASX Listing Rule 5.3.3)

Tenements held at end of the quarter by Kalia Ltd and subsidiary companies.

During the quarter the following tenement changes occurred;

- Grant of licence EL31542 in the Northern Territory
- Refusal of three Bitterwasser applications EPLA6589 – 6591 in Namibia

TENEMENT	LOCATION	NAME	INTEREST
EL 5231	South Australia	Stuart Shelf	100%
EL31275	Northern Territory	Indiana	100%
EL31391	Northern Territory	Indiana	100%
ELA31392	Northern Territory	Ngalia	Application
ELA31393	Northern Territory	Ngalia	Application
ELA31537	Northern Territory	Indiana	Application
ELA31542	Northern Territory	Indiana	100%
E80_5012	Western Australia	Mt Angelo	100%
E80_5013	Western Australia	Armanda River	100%
EL03	Bougainville	Tore East	54.22%
EL04	Bougainville	Tore West	54.22%

Competent Persons Statement

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