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**MOD RESOURCES LIMITED**  
**ACN 003 103 544**

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**NOTICE OF GENERAL MEETING**

**The general meeting of the Company will be held at  
1304 Hay Street, West Perth, Western Australia on  
Tuesday, 1 October 2019 at 10:00am (WST).**

*This Notice of general meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter please do not hesitate to contact the Company  
Secretary by telephone on +61 8 9322 8233***

**Shareholders are urged to attend or vote by lodging the Proxy Form attached to this Notice.**

## **NOTICE OF GENERAL MEETING**

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Notice is hereby given that the general meeting of Shareholders of MOD Resources Limited (**Company**) will be held on **Tuesday, 1 October 2019 at 10:00am (WST) (Meeting)**.

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form forms part of this Notice.

Terms and abbreviations used in this Notice (including the Explanatory Memorandum) are defined in Schedule 1.

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## **TIME AND PLACE OF MEETING AND HOW TO VOTE**

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### **VENUE**

The general meeting of Shareholders of the Company will be held at:

1304 Hay Street, West Perth, Western Australia  
Commencing at 10:00am (WST) on Tuesday, 1 October 2019

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### **VOTING ENTITLEMENTS**

For the purposes of the Corporations Act, all securities of the Company that are quoted securities at 5:00pm (WST) on 29 September 2019 will be taken, for the purposes of the Meeting, to be held by the persons who held them at the time and such persons are eligible to vote at the Meeting.

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### **HOW TO VOTE**

The business of the Meeting effects your shareholding and your vote is important. Please take action by voting in person (or authorised representative) or by proxy.

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### **VOTING IN PERSON**

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 10:00am (WST).

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**PROXIES**

A Proxy Form accompanies this Notice of Meeting. To be effective the Proxy Form must be completed and received at the Company's share registry, Computershare Investor Services Pty Limited, by 10:00am (WST) on 29 September 2019, being no later than 48 hours before commencement of the Meeting.

(a) Online at:

[www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions provided

(b) Mail to:

Computershare Investor Services Pty Limited, GPO Box 1282, Melbourne Victoria 3001, Australia

(c) Fax to:

1800 783 447 (within Australia)

+61 3 9473 2555 (outside Australia)

(d) Mobile voting:

Scan the QR Code on your Proxy form and follow the prompts

(e) Custodian voting:

For Intermediary Online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions

If you are entitled to attend and cast a vote at the Meeting, you may appoint up to two proxies. A proxy may be an individual or a corporation but need not be a Shareholder. If you appoint two proxies each proxy may exercise half of your votes if no proportion or number of votes is specified.

If you appoint a proxy but attend the Meeting yourself, the rights of the proxy to speak and vote on your behalf at the Meeting will be suspended while you are present.

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**CORPORATE REPRESENTATIVES**

A corporation may appoint an individual as a representative to exercise its powers as Shareholder or as a Shareholder's proxy. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has been previously given to the Company's share registry.

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**POWERS OF ATTORNEY**

A person appearing as an attorney for a Shareholder should produce a properly executed original (or certified copy) of an appropriate power of attorney for admission to the Meeting.

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## AGENDA

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### 1. RESOLUTION 1 - APPROVAL OF THE PROPOSED TRANSACTION

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

*"That, for the purposes of ASX Listing Rule 10.1, item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for:*

- (a) the Company to complete the JV Acquisition with Metal Tiger Plc, including for the Company to issue and allot up to 22,322,222 Shares to Metal Tiger Plc (and/or its nominees) and grant Metal Tiger a 2% net smelter return royalty in respect of future production from the exploration assets acquired;*
- (b) the Company to issue up to 4,825,168 Shares to Metal Tiger upon the exercise of Consideration Options by Metal Tiger;*
- (c) the acquisition by Metal Tiger Plc (and/or its nominees) of a relevant interest in the issued voting Shares of the Company otherwise prohibited by section 606(1) of the Corporations Act, by virtue of the issue of Shares referred to in paragraphs (a) and (b),*

*with a resulting increase in the voting power of Metal Tiger Plc (and/or its nominees) and its associates in the Company from 19.9% (at the date of the Meeting) to a maximum of 25.6% (immediately following the issue of those Shares), and on the terms and conditions and in the manner set out in the Explanatory Memorandum accompanying this Notice.*

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

Shareholders should carefully consider the Independent Expert's Report prepared by Deloitte accompanying the Explanatory Memorandum (refer to Schedule 2). Deloitte has concluded that the JV Acquisition and Option Exercise is **fair and reasonable** to Shareholders not associated with Metal Tiger.

The Independent Expert's Report set out in Schedule 2 should be read in conjunction with the independent expert's report for the Scheme (which is contained in the Scheme Booklet).

#### **Voting Exclusion - ASX Listing Rules**

The Company will disregard any votes cast in favour of this Resolution 1 by or on behalf of Metal Tiger Plc (and/or its nominees) or an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

**Voting Exclusion - Corporations Act**

In accordance with section 224 and item 7 of section 611 of the Corporations Act, the Company will disregard any votes cast on this Resolution 1 (in any capacity) by or on behalf of Metal Tiger Plc (and/or its nominees) and their respective associates. However, the Company need not disregard a vote if it is cast:

- (c) by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- (d) it is cast by the Chairman 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.

Dated: 19 August 2019

By order of the Board

A handwritten signature in black ink, appearing to read 'Mark Clements', written over a small dot.

**Mark Clements**  
Company Secretary

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## EXPLANATORY MEMORANDUM

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### 1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at 1304 Hay Street, West Perth, Western Australia on Tuesday, 1 October 2019 at 10:00am (WST).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolution 1 will be voted.

A Proxy Form is located at the end of this Explanatory Memorandum.

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### 2. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on Resolution 1.

#### 2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Returning the Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 10:00am (WST) on 29 September 2019, being 48 hours before the Meeting.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

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### 3. RESOLUTION 1 - APPROVAL OF THE PROPOSED TRANSACTION

#### 3.1 Introduction

On 25 June 2019, MOD and Sandfire Resources NL (**Sandfire**) announced to ASX that they had entered into the Scheme Implementation Deed (**SID**) under which, subject to the satisfaction or waiver, as applicable, of defined conditions, Sandfire

will acquire all of the Shares held by Shareholders through a scheme of arrangement (**Scheme**). MOD will become a wholly owned subsidiary of Sandfire on implementation of the Scheme.

Refer to the Scheme Booklet which accompanies this Notice for further details.

Shareholders are being asked to approve Resolution 1, being (together, the **Proposed Transaction**):

- (a) the Company acquiring Metal Tiger's 30% interest in Metal Capital Exploration Limited for the issue of 22,322,222 Shares and the grant of a 2% net smelter return royalty (**JV Acquisition**) (see section 3.3 for further details);
- (b) the issue of up to 4,825,168 Shares to Metal Tiger upon the exercise of Consideration Options by Metal Tiger (the issue of which was approved by Shareholders as consideration for the T3 Acquisition) (**Option Exercise**); and
- (c) the increase in the voting power of Metal Tiger Plc and its associates in the Company from 19.9% (at the date of the Meeting) to a maximum of 25.6% as a result of the issue of Shares pursuant to the JV Acquisition and Option Exercise.

Completion of the Proposed Transaction is conditional on obtaining Shareholder approval. For the reasons detailed in sections 3.10 to 3.12, the Proposed Transaction is subject to Shareholder approval for the purposes of ASX Listing Rule 10.1 and item 7 of section 611 of the Corporations Act.

The completion of the JV Acquisition (and issue of the Consideration Shares (defined below)) is conditional on the Scheme becoming Effective. The Option Exercise is not conditional on the Scheme becoming Effective. If MOD Shareholders approve Resolution 1, but the Scheme does not become Effective:

- (a) the JV Acquisition will not complete and the Consideration Shares will not be issued; and
- (b) Metal Tiger will have the ability, but not the obligation, to exercise the 4,825,168 Consideration Options that it continues to hold following exercise of the Consideration Options under the Support Agreement and if it does so will increase its voting power from 19.9% to approximately 21.0%.

If the Scheme is not implemented following Shareholder approval and the Scheme becoming Effective, MOD, Metal Tiger and Sandfire have agreed to unwind the issue of the Consideration Shares and transfer the 30% interest in MCEL back to Metal Tiger.

Resolution 1 is an ordinary resolution.

### 3.2 Background to Sale and Demerger Agreement

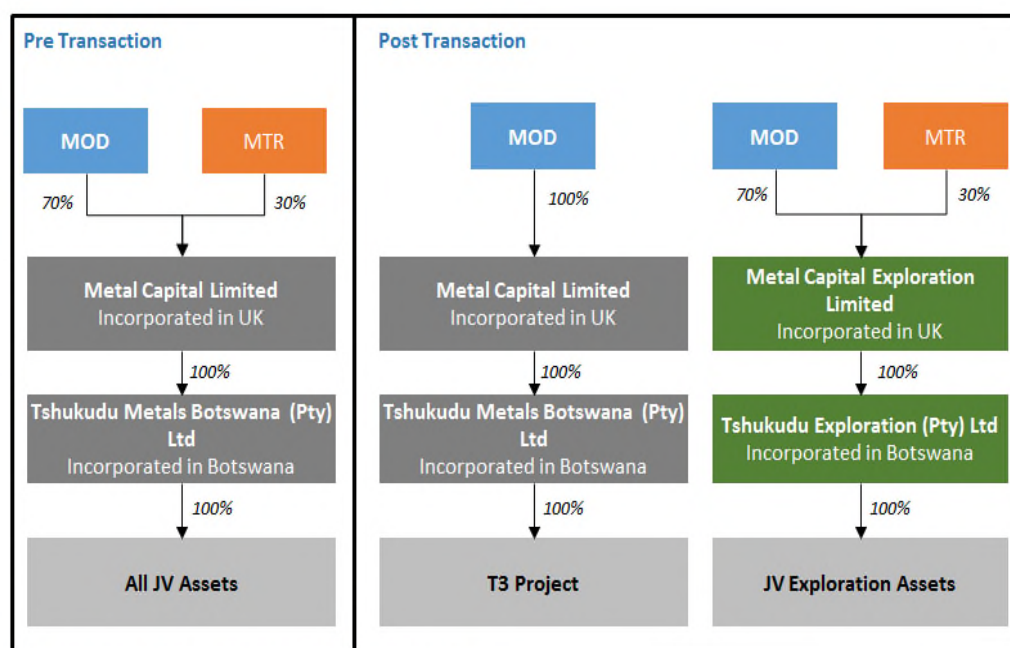
On 16 December 2015, MOD and Metal Tiger acquired a number of prospecting licences and subsequently formed a joint venture, 70% owned by MOD and 30% by Metal Tiger. The prospecting licences included seven priority exploration

targets in the Kalahari Copper Belt in Botswana, one of which has been developed into the T3 Copper Project.

On 18 July 2018, MOD announced that it had executed a binding agreement (**Sale and Demerger Agreement**) to acquire Metal Tiger's 30% interest in the T3 Project (**T3 Acquisition**). To effect the Sale and Demerger Agreement, the prospecting licences other than PL190/2008 that is associated with the T3 Project (**Exploration Assets**) were transferred to Metal Capital Exploration Limited (**MCEL**), a new joint venture entity owned 70% by MOD and 30% by Metal Tiger.

The Sale and Demerger Agreement was implemented in November 2018 and culminated in the T3 Project and its prospecting licence PL190/2008 being owned 100% by MOD, and the Exploration Assets being owned by MCEL through its wholly owned subsidiary Tshukudu Exploration (Pty) Ltd (**Tshukudu Exploration**). It is important to note that the area of the PL 190/2008 outside of the T3 Project is held by MOD in trust on behalf of Tshukudu Exploration. All exploration activities on this area will be undertaken by Tshukudu Exploration on behalf of MCEL.

The figure below details the group structure before and after completion under the Sale and Demerger Agreement.



Note: excludes MOD's currently 100% owned assets

In consideration for the T3 Acquisition, Metal Tiger was issued 17,090,000 Shares and 40,673,566 Options (**Consideration Options**).

Each Consideration Option can be converted into one Share at a nil exercise price within three years after the issue date. Additionally, Metal Tiger was granted a 2% net smelter return royalty over the T3 Project, capped at an aggregate value of USD 2 million. The consideration for the T3 Acquisition was approved by Shareholders on 19 September 2018.



MOD has the following rights under the Sale and Demerger Agreement, an:

- (a) option to purchase 100% of further discoveries on prospecting licences held by Metal Capital which progress to scoping study stage (**Mineral Resource Option**);
- (b) option to purchase Metal Tiger's 30% interest in MCEL, three years after the completion of the Sale and Demerger Agreement (**JV Roll-Up Option**); and
- (c) option to purchase Metal Tiger's 30% interest in MCEL, following the Board recommending a change of control of MOD (**JV Consolidation Option**).

As consideration for the exercise of any of these options, Metal Tiger will be entitled to a 2% net smelter return royalty and cash (calculated according to a formula attributing value to MCEL). Details of these options and the grant of the royalty were provided to Shareholders in the notice of meeting dated 15 August 2018.

MOD and Metal Tiger entered into a Share and Voting Deed dated 18 July 2018 (**Share and Voting Deed**) pursuant to which, for a period of 3 years (until November 2021), Metal Tiger agreed to the following restrictions:

- (a) its voting power must not exceed 12.5% and must not fall below 6.25% without MOD's consent; and
- (b) to vote in accordance with the majority of the MOD Board on all matters, including accepting or rejecting, or voting in favour or against any change of control offer in accordance with the majority of the MOD Board's recommendation.

Details of the Share and Voting Deed were released to ASX on 20 July 2018. MOD and Metal Tiger have agreed to terminate the Share and Voting Deed dated 18 July 2018. However, if the Scheme is not effected, Metal Tiger has agreed not to dispose of its MOD Shares to certain strategic investors for a period of 12 months. A strategic investor includes a private investor equity investor who typically seeks board representation, an investor or corporate engaged in similar business as MOD or a related entity or associate of those persons.

### 3.3 Joint Venture Acquisition

As a result of the Board recommending the Scheme, which is a change of control offer, MOD is now entitled to exercise the JV Consolidation Option and under the SID, MOD is required to exercise the JV Consolidation Option to acquire Metal Tiger's 30% interest in MCEL after the Scheme becomes Effective.

The consideration payable by MOD on exercise of the JV Consolidation Option under the Sale and Demerger Agreement, which was approved by Shareholders on 19 September 2018, would be the grant of a 2% net smelter return royalty (**Royalty**) and cash (calculated according to a formula attributing value to MCEL).

In order for Metal Tiger to participate as a Shareholder under the Scheme and to avoid the need for MOD to pay cash, MOD and Metal Tiger agreed that the

consideration payable upon exercise of the JV Consolidation Option would comprise:

- (a) the issue of 22,322,222 Shares (**Consideration Shares**) rather than cash (as was initially agreed in the Sale and Demerger Agreement); and
- (b) the grant of the Royalty.

The Consideration Shares to be issued to Metal Tiger will allow Metal Tiger to participate in the Scheme and will be acquired by Sandfire on the implementation date of the Scheme, expected to be on or around 23 October 2019.

The Consideration Shares will not be issued prior to this Meeting or the Scheme Meeting. Therefore, Metal Tiger will not be able to vote these Consideration Shares at the Scheme Meeting.

Subject to Shareholder approval, completion of the Proposed Transaction is expected to occur on or after 9 October 2019, being the expected Effective Date of the Scheme.

Pursuant to the Support Agreement (defined below), Metal Tiger will exercise 35,848,398 of its Consideration Options prior to the Scheme Meeting that will result in Metal Tiger having a voting power at the time of the Scheme Meeting of 19.9%.

In addition, the balance of the Consideration Options not exercised by Metal Tiger pursuant to the Support Agreement, will automatically exercise if the Court approves the Scheme at the second court hearing. MOD must issue the corresponding number of Shares to Metal Tiger and will need Shareholder approval to issue these Shares to Metal Tiger as Metal Tiger will increase its voting power in the Company from 19.9% to a maximum of 25.6% in the Company.

### 3.4 Support Agreement with Sandfire

Pursuant to an agreement between Metal Tiger and Sandfire dated 25 June 2019 (**Support Agreement**), Metal Tiger has agreed to:

- (a) exercise such number of Consideration Options prior to the Scheme Meeting that will result in Metal Tiger having a voting power at the time of the Scheme Meeting of 19.9%;
- (b) vote in favour of the Scheme in respect of approximately 10.46% of Shares currently held and Shares that it will hold after the exercise of options prior to the scheme meeting to a maximum of 19.9% of Shares; and
- (c) receive shares in Sandfire under the Scheme (and not make an election to receive cash).

Metal Tiger is not obliged to vote in favour of the Scheme if a Superior Proposal emerges, that remains a Superior Proposal after giving effect to any matching rights available to Sandfire under the SID.

The Support Agreement will terminate on the termination of the SID.

### **3.5 Metal Tiger**

Metal Tiger is a company incorporated in the UK and listed on the LSE AIM. Metal Tiger invests in high potential opportunities in the mineral exploration and development sector. Metal Tiger has two investment divisions: Direct Equities and Direct Projects.

The Direct Equities division invests in natural resource companies listed on the AIM, ASX and TSX.

Metal Tiger's Direct Projects division is focused on the development of its key projects in Botswana, Spain, Australia and Thailand. Metal Tiger has also recently signed a binding term sheet to invest in Cobre Pty Ltd, an entity which owns the Perrinvale Copper Project. In Botswana, Metal Tiger has interests in the Kalahari Copper Belt, through Metal Capital and through its interest in Kalahari Metal Limited. Metal Tiger has divested its interests in the T3 Project. In Spain, the company has joint ventures in tungsten and gold projects in the Extremadura region. In Thailand, Metal Tiger has interests in two potentially near-production stage lead/zinc/silver mines.

### **3.6 Impact on the Capital Structure and Level of Control**

Through its Direct Equities division, Metal Tiger currently holds a relevant interest in 31,838,393 Shares and voting power of approximately 10.46% of the issued capital of the Company at 16 August 2019, being the last practicable date prior to finalisation of this Notice.

Metal Tiger currently holds 40,673,566 Consideration Options with a zero exercise price and an expiry date of 16 November 2021.

Pursuant to the Support Agreement, Metal Tiger will exercise 35,848,398 Consideration Options prior to the Scheme Meeting that will result in Metal Tiger having a voting power at the time of the Scheme Meeting of 19.9%. Upon the exercise of Consideration Options by Metal Tiger, MOD will issue 35,848,398 Shares to Metal Tiger.

Therefore, at the date of the Scheme Meeting, Metal Tiger will hold a relevant interest in 67,686,791 Shares and have voting power of 19.9% of the issued capital of the Company.

On completion of the Proposed Transaction, Metal Tiger will have a relevant interest in 94,834,181 Shares and increase its voting power to a maximum of 25.6% in the Company as a result of:

- (a) the 22,322,222 Shares issued to Metal Tiger as consideration for the JV Acquisition; and
- (b) the 4,825,168 Shares issued to Metal Tiger upon the conversion of 4,825,168 Consideration Options. Pursuant to the terms and conditions of the Consideration Options, the Consideration Options (which are not previously exercised by Metal Tiger pursuant to the Support Agreement) will automatically exercise if the Court approves the Scheme at the second court hearing and the Company must issue corresponding Shares to Metal Tiger.

If the Scheme becomes Effective, Consideration Shares issued to Metal Tiger will be acquired by Sandfire on the implementation date of the Scheme.

If MOD Shareholders approve Resolution 1 put forward at the General Meeting, but the Scheme does not become Effective:

- (a) the JV Acquisition will not complete and the Consideration Shares will not be issued; and
- (b) Metal Tiger will have the ability, but not the obligation, to exercise the 4,825,168 Consideration Options that it continues to hold following exercise of the Consideration Options under the Support Agreement and if it does so will increase its voting power from 19.9% to approximately 21.0%.

If the Scheme is not implemented following Shareholder approval and the Scheme becoming Effective, MOD, Metal Tiger and Sandfire have agreed to unwind the issue of the Consideration Shares and transfer the 30% interest in MCEL back to Metal Tiger.

The capital structure of the Company on completion of the Proposed Transaction will be as follows:

Event	Shares	Options	Performance Rights
Metal Tiger current position (as at the date of notice)	31,838,393 (10.46%)	40,673,566	Nil
Metal Tiger option exercise to have a voting power of 19.9%	35,848,398 (9.44%)	Nil	Nil
<b>Total Metal Tiger at Scheme Meeting</b>	<b>67,686,791 (19.9%)</b>	<b>4,825,168</b>	<b>Nil</b>
Other Investors & Directors / Management	272,447,837 (80.1%)	17,705,000	3,050,000
<b>Total Capital Structure at Scheme Meeting</b>	<b>340,134,628 (100%)</b>	<b>22,530,168</b>	<b>Nil</b>
Metal Tiger at Scheme Meeting	67,686,791 (18.28%)	4,825,168	Nil
Shares issued to Metal Tiger pursuant to JV Acquisition	22,322,222 (6.03%)	Nil	Nil
Shares issued to Metal Tiger pursuant to the Option Exercise	4,825,168 (1.30%) <sup>1</sup>	Nil	Nil
Other Investors & Directors / Management	272,447,837 (73.57%)	17,705,000	3,050,000
Vesting of Performance Rights pursuant to the Scheme	3,050,000 (0.95%) <sup>2</sup>	Nil	Nil
<b>Total Metal Tiger of completion of Proposed Transaction</b>	<b>94,834,181 (25.60%)</b>	<b>Nil</b>	<b>Nil</b>

<b>Total on completion of Proposed Transaction</b>	<b>370,332,018 (100%)</b>	<b>Nil</b>	<b>Nil</b>
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<sup>1</sup> The Consideration Options not exercised pursuant to the Option Exercise will automatically exercise if the Court approves the Scheme at the second court hearing.

<sup>2</sup> Under the terms of the SID, MOD must issue the number of MOD Shares required by the terms of the MOD Performance Rights on such vesting so that the relevant former holders of the MOD Performance Rights can participate in the Scheme.

Optionholders (other than Metal Tiger) have entered into option cancellation deeds with the Company and Sandfire pursuant to which each Optionholder has agreed to the cancellation of their MOD Options in consideration for a cash payment which amongst other things is conditional upon the Scheme becoming Effective.

Performance Rights on issue will vest and be deemed to become vested upon the Scheme becoming Effective. Upon exercise of the vested Performance Rights, the Performance Rights will convert into Shares.

### 3.7 Advantages and Disadvantages

The advantages of passing Resolution 1 are as follows:

- (a) if Shareholders approve Resolution 1, a condition precedent to the implementation of the Scheme will be satisfied and Shareholders will (subject to the satisfaction of the other conditions precedent in the SID) have an opportunity to participate in the benefits of the Scheme (further details of which are contained in section 2 of the Scheme Booklet); and
- (b) the Independent Expert has concluded that the JV Acquisition and Option Exercise is fair and reasonable to Shareholders not associated with Metal Tiger.

The disadvantages of passing Resolution 1 are as follows:

- (a) existing Shareholders will have their holdings diluted following the issue of the Shares the subject of the Proposed Transaction; and
- (b) the JV Acquisition and Option Exercise will increase Metal Tiger's voting power in the Company from 19.9% up to a maximum of 25.6%.

In the event that Shareholders approve Resolution 1 and all conditions precedent to the Scheme are satisfied (or waived), the dilution of existing Shareholders and Metal Tiger's increase in voting power, which will occur on or after the Effective Date of the Scheme (expected to be 9 October 2019) will have no practical effect as Sandfire will, on the implementation date (expected to be 23 October 2019) acquire all of the Shares held by Shareholders pursuant to the Scheme.

### 3.8 Restrictions in relation to Consideration Shares

The acquisition by the Company of Metal Tiger's 30% interest in MCEL will constitute the acquisition of a "classified asset" for the purposes of the ASX

Listing Rules as the Company is acquiring an interest in an entity who holds an interest in mining exploration assets.

ASX considers that vendors of a “classified asset”, such as an interest in the Exploration Assets, from persons in a position of influence should not ordinarily receive a benefit until the value of the asset has become apparent and is reflected in the market price of the company’s securities. In such circumstances, the relevant consideration must be “restricted securities” (i.e. securities issued subject to the restrictions set out in Appendix 9B of the Listing Rules) for a period of 12 months from the date of issue of the securities.

The Company has applied for, and has been granted, a waiver of ASX Listing Rule 10.7 to allow it to issue unrestricted Shares to Metal Tiger and grant the Royalty as consideration for the JV Acquisition.

### **3.9 ASX Listing Rule 7.1**

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to convert to equity (such as a performance right), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

An exception is where the issue is approved by Shareholders in a general meeting under item 7 of section 611 of the Corporations Act (refer to Listing Rule 7.2 exception 16). If Resolution 1 is passed and the Company obtains Shareholder approval under item 7 of section 611 of the Corporations Act, the Company will not require Shareholder approval under Listing Rule 7.1.

### **3.10 ASX Listing Rule 10.1**

ASX Listing Rule 10.1 prohibits (amongst other things) the acquisition of a “substantial asset” from a “substantial holder” (or an Associate of a substantial holder) without the approval of shareholders. For the purposes of ASX Listing Rule 10.1:

- (a) a substantial asset is an asset valued at more than 5% of the equity interest of the Company as set out in the latest accounts given to ASX; and
- (b) a substantial holder is a person who, together with that person's Associates, have a Relevant Interest in at least 10% of the total votes attached to the Company's shares.

The JV Acquisition requires the approval of Shareholders for the purposes of ASX Listing Rule 10.1 as the value of the consideration given under the JV Acquisition is more than 5% of the Company's equity interests and Metal Tiger is a substantial shareholder of the Company.

In accordance with ASX Listing Rule 10.10, the Notice of Meeting contains a voting exclusion statement to the effect that the votes of Metal Tiger and its Associates will be disregarded and an Independent Expert's Report has been prepared by Deloitte (a copy of which is set in Schedule 2 to this Explanatory Memorandum).

### 3.11 Section 611 of the Corporations Act

- (a) Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of a public company if, because of the transaction, that person's or another person's voting power in the company increases from:
  - (i) 20% or below to more than 20%; or
  - (ii) a starting point that is above 20% and below 90%.
- (b) The voting power of a person in a company is determined by reference to section 610 of the Corporations Act. A person's voting power in a company is the total of the votes attaching to the shares in the company in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest, divided by the total number of votes attaching to all voting shares in the Company.
- (c) Under section 608 of the Corporations Act, a person will have a relevant interest in shares if:
  - (i) the person is the registered holder of the shares;
  - (ii) the person has the power to exercise or control the exercise of votes or disposal of the shares; or
  - (iii) the person has over 20% of the voting power in a company that has a relevant interest in shares, then the person has a relevant interest in said shares.
- (d) For the purposes of determining who is an associate it is necessary to consider section 12 of the Corporations Act. Any reference to associate in Chapters 6 to 6C of the Corporations Act has the meaning give to that term in section 12. A person is only an associate for the purpose of Chapters 6 to 6C if that person is an associate under section 12.
- (e) Section 12 of the Corporations Act provides that a person (first person) will be an associate of the other person (second person) if:
  - (i) 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 first 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 Board or the conduct of the designated body'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 designated body's affairs.
- (f) The Corporations Act defines "control" and "relevant agreement" very broadly as follows:
  - (i) section 50AA of the Corporations Act defines "control" as the capacity to determine the outcome of decisions about the financial and operating policies of a company. In determining the capacity it is necessary to take into account the practical influence a person can exert and any practice or pattern of behaviour effecting the company's financial or operating policies; and
  - (ii) section 9 of the Corporations Act defines "relevant agreement" as an agreement, arrangement or understanding:
    - (A) whether formal or informal or partly formal and partly informal;
    - (B) whether written or oral or partly written and partly oral; and
    - (C) whether or not having legal or equitable force and whether or not based on legal or equitable rights.
- (g) Associates are 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 company's business affairs.
- (h) Section 611 of the Corporations Act contains exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which shareholders of a company may approve an issue of shares to a person which results in that person's or another person's voting power in the company increasing from:
  - (i) 20% or below to more than 20%; or
  - (ii) a starting point that is above 20% and below 90%.
- (i) On completion of the Proposed Transaction, Metal Tiger will have a relevant interest in 94,834,181 Shares and increase its voting power to a maximum of 25.6% in the Company as a result of:
  - (i) the 22,322,222 Shares issued to Metal Tiger as consideration for the JV Acquisition; and
  - (ii) the 4,825,168 Shares issued to Metal Tiger upon the conversion of 4,825,168 Consideration Options. Pursuant to the terms and conditions of the Consideration Options, the Consideration Options (which are not previously exercised by Metal Tiger pursuant to the Support



Agreement) will automatically exercise if the Court approves the Scheme at the second court hearing and the Company must issue corresponding Shares to Metal Tiger.

### 3.12 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

- (a) *The identity of the parties to be issued the Shares pursuant to the Proposed Transaction.*

The persons who will have a relevant interest in the Shares to be issued pursuant to the Proposed Transaction are:

Investor	Maximum Number of Shares
Metal Tiger Plc	27,147,390

Upon completion of the Proposed Transaction, Metal Tiger Plc (or their nominees) will have a maximum voting power of 25.6%.

- (b) *Full particulars (including the number and percentage) of Shares in which Metal Tiger (or its associates/nominees) has or will have a relevant interest immediately before and after implementation of the Proposed Transaction.*

Metal Tiger currently holds a relevant interest in 31,838,393 Shares and voting power of approximately 10.46% of the issued capital of the Company. Metal Tiger also holds 40,673,566 Consideration Options with a zero exercise price and an expiry date of 16 November 2021.

Pursuant to the Support Agreement, Metal Tiger will exercise 35,848,398 Consideration Options prior to the Scheme Meeting that will result in Metal Tiger having a voting power at the time of the Scheme Meeting of 19.9%. Upon the exercise of Consideration Options by Metal Tiger, MOD will issue 35,848,398 Shares to Metal Tiger.

Therefore, at the date of the Scheme Meeting, Metal Tiger will hold a relevant interest in 67,686,791 Shares and a voting power of 19.9% of the issued capital of the Company.

On completion of the Proposed Transaction, Metal Tiger will have a relevant interest in 94,834,181 Shares and increase its voting power to a maximum of 25.6% in the Company as a result of:

- (i) the 22,322,222 Shares issued to Metal Tiger as consideration for the JV Acquisition; and
- (ii) the 4,825,168 Shares issued to Metal Tiger on conversion of 4,825,168 Consideration Options. Pursuant to the terms and conditions of the Consideration Options, the Consideration Options (which are not previously exercised by Metal Tiger pursuant to the Support Agreement) will automatically exercise if the Court approves the Scheme at the second court hearing and the Company must issue corresponding Shares to Metal Tiger.

No associates of Metal Tiger have a relevant interest in any Shares.

Upon completion of the Proposed Transaction, the maximum voting power of the persons described above will be 25.6% of the issued Shares in the Company. This represents a maximum increase in voting power of 5.7% from 19.9% they will have at the date of the Meeting.

- (c) *The identity, associations (with the Metal Tiger) and qualifications of any person who is intended to become a Director if Shareholders approve Resolution 1*

No person is intended to or will become a director of the Company if Shareholders approve Resolution 1. Michael McNeilly is on the Board of MOD and Metal Tiger.

- (d) *An explanation of the reasons for the proposed issue of the Shares to Metal Tiger*

The Shares issued to Metal Tiger the subject of Resolution 1 are being issued as consideration on completion of the JV Acquisition and pursuant to the Option Exercise.

- (e) *When the issue of the Shares to Metal Tiger is to be made*

The Shares to be issued to Metal Tiger the subject of Resolution 1 will be issued on or after the Effective Date of the Scheme, which is expected to be 9 October 2019.

- (f) *Particulars of the terms of the proposed issue of the Shares and details of the terms of any other relevant agreement between Metal Tiger and the Company or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholder approval of Resolution 1*

Other than the agreements disclosed above, there are no contracts or proposed contracts between Metal Tiger and the Company or any of their associates which is conditional upon, or directly or indirectly dependent on, Resolution 1 being approved by Shareholders.

- (g) *Metal Tiger's intentions regarding the future of the Company if Shareholders approve Resolution 1*

Other than as disclosed in this Explanatory Memorandum, Metal Tiger has advised the Company that it:

- (i) has no current intention to make any significant change to the existing business of the Company;
- (ii) has no current intention to inject further capital into the Company;
- (iii) has no present intention of making changes regarding the future employment of the present employees of the Company;
- (iv) does not intend for any assets to be transferred between the Company and Metal Tiger; and

(v) has no current intention to redeploy any of the Company's fixed assets.

(h) *Any intention of Metal Tiger to significantly change the Company's financial or dividend policies*

Metal Tiger has advised the Company that it has no current intention to change the Company's financial or dividend policies from those adopted by the reconstituted Board in connection with the Proposed Transaction.

(i) *The interests of the Directors in Resolution 1*

Michael McNeilly is a Director of Metal Tiger and has abstained from expressing a view on the Proposed Transaction or making a recommendation to Shareholders in respect of Resolution 1.

(j) *Identity of the Directors who approved or voted against the proposal to put Resolution 1 to Shareholders*

All of the Directors (except Michael McNeilly who has abstained from expressing a view) approved the proposal to put Resolution 1 to Shareholders.

(k) *Recommendation of each Director as to whether Shareholders should approve Resolution 1*

Refer to Section 3.13.

(l) *An analysis of whether the issue of the Shares to Metal Tiger is fair and reasonable when considered in the context of the Shareholders other than Metal Tiger*

What is fair and reasonable must be judged in all the circumstances of the Proposed Transaction. This requires taking into account the likely advantages to Shareholders if Shareholders approve Resolution 1 and the Proposed Transaction is implemented, and comparing them with the disadvantages to Shareholders if the Proposed Transaction is not implemented.

Deloitte has concluded that the JV Acquisition and Option Exercise is fair and reasonable to Shareholders not associated with Metal Tiger.

The Company strongly recommends that Shareholders read the Independent Expert's Report in full, a copy of which is contained in Schedule 2.

The Independent Expert's Report set out in Schedule 2 should be read in conjunction with the independent expert's report for the Scheme (which is contained in the Scheme Booklet).

### **3.13 Directors' Recommendation**

Michael McNeilly has abstained from expressing a view on the Proposed Transaction or making a recommendation to Shareholders in respect of Resolution 1 because he is also a Director of Metal Tiger.

The Directors (other than Mr McNeilly) recommend that Shareholders vote in favour of Resolution 1.

The Chairman intends to vote all available proxies in favour of Resolution 1.

The Directors (other than Mr McNeilly) intend to vote, or procure the voting, in favour of Resolution 1 with respect to any Shares controlled or held by, or on behalf of, them.

Shareholders should read the Notice, this Explanatory Memorandum and the Independent Expert's Report in full to form an opinion on the merits of the Proposed Transaction.

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**SCHEDULE 1: DEFINITIONS**

In the Notice and this Explanatory Memorandum, words importing the singular include the plural and vice versa.

**\$** means Australian Dollars.

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

**Associate** has the meaning given to that term in the Corporations Act.

**ASX** means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

**Board** means the board of Directors.

**Chairman** means the person appointed to chair the Meeting, or any part of the Meeting, convened by the Notice.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company or MOD** means MOD Resources Limited (ACN 003 103 544).

**Consideration Options** has the meaning given to that term in Section 3.2.

**Consideration Shares** has the meaning given to that term in Section 3.3.

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

**Court** means the Supreme Court of Western Australia or such other court of competent jurisdiction under the Corporations Act as agreed in writing between MOD and Sandfire.

**Director** means a director of the Company.

**Effective** means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act, in relation to the Scheme.

**Effective Date** means the date on which the Scheme becomes Effective.

**Explanatory Memorandum** means the explanatory memorandum that forms part of the Notice.

**Exploration Assets** has the meaning given to that term in Section 3.2.

**Independent Expert's Report** means the report prepared by Deloitte in relation to this Meeting and attached to Schedule 2 of this Notice.

**JV Consolidation Option** has the meaning given to that term in Section 3.2.

**JV Roll-Up Option** has the meaning given to that term in Section 3.2.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

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

**LSE** means collectively the Official Listing of the Financial Conduct Authority and the London Stock Exchange's Main Market for list securities.

**MCEL** has the meaning given to that term in Section 3.2.

**Meeting** has the meaning in the introductory paragraph of the Notice.

**Metal Tiger** means Metal Tiger Plc (UK company number 04196004) of 107 Cheapside, London EC2V 6DN, United Kingdom.

**Mineral Resource Option** has the meaning given to that term in Section 3.2.

**Notice** means the notice of meeting that comprises of the notice, agenda, Explanatory Memorandum and Proxy Form.

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

**Optionholder** means an optionholder of the Company.

**Proposed Transaction** has the meaning given to that term in Section 3.1.

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

**Relevant Interest** has the meaning given to that term in section 9 of the Corporations Act.

**Resolution** means the resolution contained in the Notice.

**Royalty** has the meaning given to that term in Section 3.3.

**Sale and Demerger Agreement** has the meaning given to that term in Section 3.2.

**Sandfire** means Sandfire Resources NL ACN 105 154 185.

**Schedule** means a schedule to this Explanatory Memorandum.

**Scheme** has the meaning given to that term in Section 3.1.

**Scheme Booklet** means the scheme booklet sent to Shareholders on or about 27 August 2019.

**Scheme Meeting** means the meeting of Shareholders ordered by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act, to be held at 11:00am (WST) on 1 October 2019 and includes any meeting convened following any adjournment or postponement of that meeting.

**Section** means a section of this Explanatory Memorandum.

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

**Shareholder** means a shareholder of the Company.

**SID** means the scheme implementation deed dated 25 June 2019 between MOD and Sandfire (as amended and restated on 8 August 2019 and amended on 19 August 2019) which is contained in Annexure 2 of the Scheme Booklet.

**Support Agreement** has the meaning given to that term in Section 3.4.

**Superior Proposal** has the meaning giving to that term under the SID.

**T3 Acquisition** has the meaning given to that term in Section 3.2.

**Tshukudu Exploration** has the meaning given to that term in Section 3.2.

**WST** means Australian Western Standard Time, being the time in Perth, Western Australia.

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**SCHEDULE 2: INDEPENDENT EXPERT'S REPORT**





# **MOD Resources Limited**

Independent expert's report and Financial Services Guide  
Metal Tiger Transaction and conversion of the Metal Tiger Options

19 August 2019

# Financial Services Guide (FSG)

## What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

## Why are we providing this FSG to you?

Deloitte Corporate Finance Pty Limited (AFSL 241457) has been engaged by MOD Resources Limited to prepare an independent expert's report (our **Report**) in connection with the proposed transaction between MOD Resources Limited and Metal Tiger Plc. MOD Resources Limited will provide our Report to you.

Our Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration.

## What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

## We are providing general financial product advice

In our Report, we provide general financial product advice as we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

## How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of approximately \$180,000 exclusive of GST in relation to the preparation of our Report. This fee is not contingent upon the success or otherwise of the proposed transactions between MOD Resources Limited and Metal Tiger Plc, and MOD Resources Limited and Sandfire Resources NL. In addition to this, Deloitte Technical Mining Advisory will receive a fee of approximately \$70,000 exclusive of GST in relation to the preparation of their report. This fee is not contingent on the outcome of the proposed transactions.

Apart from these fees, Deloitte Corporate Finance Pty Limited, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

## Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls Deloitte Corporate Finance. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

## What should you do if you have a complaint?

If you have a concern about our Report, please contact us:

The Complaints Officer  
PO Box N250  
Grosvenor Place  
Sydney NSW 1220  
[complaints@deloitte.com.au](mailto:complaints@deloitte.com.au)  
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (**FOS**). FOS provides fair and independent financial services dispute resolution free to consumers.

[www.fos.org.au](http://www.fos.org.au)  
1800 367 287 (free call)  
Financial Ombudsman Service  
GPO Box 3 Melbourne VIC 3001

## What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

The Independent Directors  
MOD Resources Limited  
First Floor, 1304 Hay Street  
West Perth WA 6005

19 August 2019

Dear Directors

## Re: Independent expert's report – Metal Tiger Transaction and conversion of the Metal Tiger Options

### Introduction

On 25 June 2019, MOD Resources Limited (**MOD, the Target or the Company**), together with the Board of Sandfire Resources NL (**Sandfire, or the Bidder**), announced a proposal under which Sandfire would acquire 100% of the issued shares in MOD via a scheme of arrangement (**the Proposed Scheme**).

If the Proposed Scheme is approved, holders of MOD shares (**Shareholders**) can elect to receive either:

- 0.0664 Sandfire shares for 1 MOD share (**Scrip Consideration**)<sup>1</sup>; or
- Cash of \$0.45 per share (**Cash Consideration**) up to a "scheme" maximum of \$41.6 million (**Maximum Cash Consideration**)<sup>2</sup>.

An overview of the Proposed Scheme is provided within our independent expert's report prepared in respect of the Proposed Scheme (**Scheme IER**).

Concurrently to the Proposed Scheme, MOD has agreed under the Scheme Implementation Deed (**SID**) to exercise its option<sup>3</sup> to acquire Metal Tiger Plc's (**Metal Tiger**) 30% interest in Metal Capital Exploration Limited (**Metal Capital Exploration**), which indirectly owns several exploration licences in the Kalahari copper belt in Botswana, for 22,322,222 MOD shares and a 2% net smelter royalty (**NSR**), (**Metal Tiger Transaction**).

Metal Tiger currently holds 40.7 million nil exercise price options in MOD (**the Options**), which it intends to convert to shares in MOD during the course of the implementation of the Proposed Scheme. Metal Tiger is only able to exercise a certain number of Options, up to a relevant 19.9% interest in the issued shares of MOD, before Shareholder approval is required. Therefore, Shareholder approval is being sought, to enable Metal Tiger to exercise the remaining Options (above the 19.9% interest) and MOD to issue 4,825,168 shares upon conversion of the remaining Options.

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<sup>1</sup> Ineligible Foreign Shareholders, European Holders and UMP Shareholders should refer to sections 5.4, 5.5 and 5.6, respectively of the Scheme Booklet for specifics of the Consideration related to their shareholding

<sup>2</sup> Shareholders need to elect to receive the Cash Consideration, otherwise the Scrip Consideration will be issued. In the event the Cash Consideration election exceeds the Maximum Cash Consideration, the amount of cash paid per share to Shareholders electing cash will be reduced pro rata, and Sandfire shares will be issued in respect of the shortfall

<sup>3</sup> As amended under the Sale and Demerger Agreement dated 18 July 2018

The Metal Tiger Transaction and the issue of 4,825,168 MOD shares to Metal Tiger have been referred to collectively as the **Proposed Transactions**. MOD has prepared a notice of meeting and an explanatory statement containing the detailed terms of the Proposed Transactions (**the Explanatory Statement**) and an overview of the Metal Tiger Transaction is provided in Section 1 of our report.

**This report should be read in conjunction with the Scheme IER.**

## Purpose of the report

When the acquisition of a substantial asset<sup>4</sup> from related parties is proposed, Chapter 10 of the Listing Rules of the Australian Securities Exchange Limited (**ASX**) (**the Listing Rules**) requires the preparation of a report by an independent expert stating whether the proposed transaction is fair and reasonable to the securityholders whose votes are not to be disregarded. As Metal Tiger already owns a 10.46% interest in the current issued capital of MOD, the Metal Tiger Transaction is considered to be a related party transaction.

Further, MOD will be issuing securities to Metal Tiger as consideration for the Metal Tiger Transaction and upon conversion of the Options (in totality). Either transaction in isolation, and on a combined basis, will result in Metal Tiger's interest in MOD moving from below to above 20%. Section 606 of the Corporations Act 2001 (Cth) effectively prohibits a person from acquiring a relevant interest in a public company where that person's voting power moves from below to above 20%. Item 7 of Section 611 of the Corporations Act 2001 (Cth) (**Section 611**) allows non-associated shareholders to waive the Section 606 prohibition by passing a resolution at a general meeting. Therefore, shareholder approval is required in accordance with Section 611 in respect of the Proposed Transactions.

The independent directors of MOD (**the Independent Directors**) have requested that Deloitte Corporate Finance Pty Limited (**Deloitte Corporate Finance**) provide an independent expert's report advising whether, in our opinion, the Proposed Transactions are fair and reasonable to MOD shareholders not associated with the transaction<sup>5</sup> (**Non-Associated Shareholders**).

This report is to be included in the Explanatory Statement to approve the Proposed Transactions, which will be sent to the Shareholders, and has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of the Proposed Transactions. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and MOD, in respect of this report, including any errors or omissions however caused.

## Basis of evaluation

We have prepared this report having regard to Chapter 10 of the Listing Rules, and Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 111 (**RG 111**) and ASIC Regulatory Guide 112 (**RG 112**), as well as specific guidance provided by ASIC on how it expects item 7 of Section 611 transactions to be analysed.

RG 111 provides guidance in relation to the content of independent expert's reports prepared for a range of transactions. It notes an expert should focus on the substance of a related party transaction, rather than on the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

As the Proposed Transactions result in Metal Tiger moving from below to above a 20% interest in MOD, a technical interpretation of RG 111 requires that the Proposed Transactions be analysed as if they were a scrip takeover bid for MOD by Metal Tiger. This requires a comparison of the value of a MOD share before the Proposed Transactions (on a control basis) with the value of a MOD share after the Proposed Transactions (on a minority interest basis).

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<sup>4</sup> A substantial asset is where the value of the asset or consideration is 5% or more of the book value of equity of the subject company. Metal Tiger's 30% interest in Metal Capital Exploration is considered to be a substantial asset

<sup>5</sup> Metal Tiger is considered to be an associate for the purposes of this report

In applying this interpretation, we have had regard to the fact that there is a simultaneous, interconditional control transaction for MOD shares with Sandfire. As a result, Metal Tiger will be allotted shares in MOD which will then immediately be transferred to Sandfire under the Proposed Scheme, based on the same exchange ratio as all other Shareholders and consequently turn into shares in Sandfire (Metal Tiger has indicated it will take up the Scrip Consideration alternative under the Proposed Scheme).

The Proposed Transactions and the Proposed Scheme are interconditional as follows:

- the Metal Tiger Transaction cannot proceed unless the Proposed Scheme proceeds. Therefore, whilst the legal mechanism of the Metal Tiger Transaction is to issue shares in MOD to Metal Tiger; these shares will immediately convert into shares in Sandfire
- Metal Tiger has agreed to exercise such number of Options that takes their shareholding in MOD up to 19.9%, pursuant to a support agreement which was entered into in respect of the Proposed Scheme, whereby Metal Tiger had agreed to vote in favour of the Proposed Scheme. These Options would otherwise have an expiry date of 16 November 2021.
- a situation could arise in which Shareholders approve the issue of shares in MOD upon conversion of 4.8 million Options (which would take Metal Tiger to a 21% interest in MOD) and the Proposed Scheme is not implemented. However, as the Options have already been granted, this same outcome could be achieved by Metal Tiger under the creep provisions within 6 months. Therefore, for the purposes of our opinion, we do not separately assess this situation further
- if the Metal Tiger Transaction does not proceed, the Proposed Scheme could fail as it is conditional on the Metal Tiger Transaction; however, Sandfire can choose to waive this condition at its sole discretion.

The Metal Tiger Transaction cannot proceed without the Proposed Scheme being implemented, and therefore the value of a MOD share after the Proposed Transactions is inherently linked to the value of the Scrip Consideration offered under the Proposed Scheme. The intervening legal step, being a MOD share after the Proposed Transactions but before the Proposed Scheme, is artificial and does not reflect the substance of the interconditional transactions.

The concern of RG 111 (in the context of a typical Section 611 transaction) is that shareholders will forego the opportunity to receive a control premium in the future. However, in this circumstance, due to the interconditionality of the transactions, Shareholders will never be in the situation where, by approving the Proposed Transactions, they are left owning a minority interest in MOD after the Proposed Transactions and having foregone the possibility of receiving a control premium in the future.

We therefore consider the Scrip Consideration per MOD share offered under the Proposed Scheme to be the most appropriate measure of the value of a MOD share after the Proposed Transactions. We consider this approach best reflects the perspective of Non-Associated Shareholders in the context of the interconnected transactions they are being asked to approve.

We also note that the Scrip Consideration per MOD share reflects a minority interest value in the enlarged Sandfire group post the implementation of the Proposed Scheme.

We have therefore considered the Proposed Transactions in the following manner:

- the Proposed Transactions are fair, if the value of a MOD share before the Proposed Transactions on a control basis is equal to or less than the value of the Scrip Consideration per MOD share under the Proposed Scheme
- the Proposed Transactions are reasonable, if they are fair, or, despite not being fair, after considering other significant factors, there are sufficient reasons for the Non-Associated Shareholders to approve the Proposed Transactions.

In evaluating whether or not the Proposed Transactions are fair and reasonable to Non-Associated Shareholders, pursuant to item 7 of Section 611 and Listing Rule 10.1, we have made a separate assessment of whether or not the Proposed Transactions are 'fair' and 'reasonable' as required by RG 111.

## Definition of value

For the purpose of our opinion, we have referred to the concept of fair market value. Fair market value is defined as the amount at which the shares in the entities valued would be expected to change hands in a hypothetical transaction between a knowledgeable willing, but not anxious, buyer and a knowledgeable willing, but not anxious, seller acting at arm's length.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation has not been premised on the existence of a special purchaser.

## Role of the Technical Expert

Given the nature of the assets of MOD, Deloitte Technical Mining Advisory (**DTMA**<sup>6</sup>), advisors with technical expertise in the mining industry, were engaged to assist Deloitte Corporate Finance in the valuation of MOD's assets. DTMA's work included:

- input and advice on the appropriateness of assumptions (**the Technical Assumptions**) adopted in the T3 Project feasibility study financial model (**the T3 Project Model**), including
  - the level of reserves and resources contained in the T3 Project Model
  - production profiles
  - production rates (ore milled, feed grade, recovery rates)
  - operating expenditure, including rehabilitation and abandonment costs
  - capital expenditure
- estimating the fair market value of the additional resources relating to the T3 Project but not included in the Model
- estimating the fair market value of MOD's other mineral assets, including the mineral assets held by Metal Capital Exploration.

DTMA prepared its technical report having regard to the "Code for Public Reporting of Technical Assessment and Valuation of Minerals Assets" (**VALMIN code**). The scope of DTMA's work was controlled by Deloitte Corporate Finance. A copy of DTMA's Report is provided in Appendix 10 of the Scheme IER.

## Summary and conclusion

In our opinion the Proposed Transactions are fair and reasonable to Non-Associated Shareholders. In arriving at this opinion, we have had regard to the following factors.

### The Proposed Transactions are fair

According to a technical interpretation of RG 111, to assess whether the Proposed Transactions are fair, the independent expert is required to compare the fair market value of a share in MOD on a control basis prior to the Proposed Transactions with the fair market value of a share in MOD after the Proposed Transactions on a minority interest basis. As discussed earlier, we consider the Scrip Consideration per MOD share offered under the Proposed Scheme to be the most appropriate measure of the value of a MOD share after the Proposed Transactions.

The Proposed Transactions are therefore fair if the value of a MOD share on a control basis prior to the Proposed Transactions is equal to or less than the value of the Scrip Consideration per MOD share.

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<sup>6</sup> Venmyn Deloitte (Pty) Ltd, trading as DTMA

Set out in the table below is our assessment of fairness.

**Table 1**

	Reference	Low (\$)	High (\$)	Mid (\$)
Estimated fair market value of a MOD share prior to the Proposed Transactions (on a control basis)	Section 3.2	0.41	0.51	0.45
Estimated fair market value of the Scrip Consideration <sup>1</sup> per MOD share	Scheme IER	0.40	0.43	0.42

Source: Deloitte Corporate Finance analysis

Note:

1. Refer to Table 3 of the Scheme IER for an analysis of our valuation of the Scrip Consideration under the Proposed Scheme

Given the recent volatility in global markets as noted in our Scheme IER, we consider that the value of a MOD share on a control basis is more likely to lie towards the low end of our valuation range, particularly given the current decline in the spot price of copper and the decline in the share trading prices experienced by other copper producers and explorers.

The consideration offered by Sandfire overlaps the range of our estimate of the fair market value of a MOD share, at the low end. However, as we consider the value of a MOD share is also likely to lie towards the low end of our valuation range, it is our opinion that the Proposed Transactions are fair.

### **The Proposed Transactions are reasonable**

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Transactions are reasonable. We have also considered the following significant factors in assessing the reasonableness of the Proposed Transactions.

### **If the Metal Tiger Transaction is not approved, the Proposed Scheme may fail**

We have assessed the Proposed Scheme to be fair and reasonable and in the best interests of Shareholders. If Non-Associated Shareholders do not approve the Proposed Transactions, there is a risk that the Proposed Scheme will fail and Shareholders will therefore not have access to the Consideration offered under the Proposed Scheme and miss out on receiving a control premium for their MOD shares. This is because the Metal Tiger Transaction is a condition precedent to the Proposed Scheme and this condition can only be waived by Sandfire at its sole discretion. There is no guarantee that Sandfire would waive this condition if the Proposed Transactions are not approved.

### **Non-Associated Shareholders might be interested in the hypothetical analysis of a share in MOD post the Proposed Transactions on a minority interest basis**

Our evaluation of the fairness of the Proposed Transactions is focused on the substance of the Proposed Transactions, which is driven by the interconditionality of the Proposed Transactions and the Proposed Scheme (as discussed under fairness).

In particular, Shareholders will never be in the situation where, by approving the Proposed Transactions, they are left owning a minority interest in MOD after the Proposed Transactions and having foregone the possibility of receiving a control premium in the future. Therefore the intervening legal step, being a MOD share after the Proposed Transactions but before the Proposed Scheme, is artificial, and will never occur and does not reflect the substance of the interconditional transactions.

However, some Non-Associated Shareholders may be interested in the hypothetical analysis of a share in MOD post the Proposed Transactions on a minority interest basis, which reflects the intervening legal step. In this case, Non-Associated Shareholders might compare the fair market value of a MOD share prior to the Proposed Transactions on a control basis, with the value of a MOD share post the Proposed Transactions on a minority interest basis. The table below sets out this comparison.

**Table 2**

	Reference	Low (\$)	High (\$)	Mid (\$)
Estimated fair market value of a MOD share prior to the Proposed Transactions (on a control basis)	Section 3.2	0.41	0.51	0.45
Estimated fair market value of a MOD share post the Proposed Transactions (on a minority basis)	Section 3.3	0.33	0.41	0.36

Source: Deloitte Corporate Finance analysis

Under this analysis, the fair market value of a MOD share on a minority interest basis post the Proposed Transactions is below the range of our estimate of the fair market value of a MOD share on a control basis (prior to the Proposed Transactions), and hence the Proposed Transactions would be technically viewed as not fair under the technical application of RG 111.

### **The consideration agreed under the JV Consolidation Option has previously been approved by Shareholders**

It is important to note that the consideration agreed under the Sale and Demerger Agreement in respect of the JV Consolidation Option including the issue of a 2% NSR was previously approved by Shareholders.

However, the cash component has now been replaced with a scrip component being new shares in MOD (which are then vended into the Proposed Scheme). It is not uncommon in a change of control situation for a bidder to separately re-negotiate the terms of a pre-existing agreement.

### **Non-Associated Shareholders might view the Metal Tiger Transaction as more akin to an asset acquisition, than a control transaction**

ASIC's interpretation of RG 111 requires the Proposed Transactions to be analysed as a control transaction.

However, Non-Associated Shareholders might view this transaction as more akin to an acquisition of 30% of Metal Capital Exploration rather than a control transaction. Although Metal Tiger would notionally own approximately 25.6% of the issued shares in MOD post the Proposed Transactions, it will not 'in effect' gain control of MOD because of the simultaneous operation of the Proposed Scheme.



In this case, Non-Associated Shareholders might compare the fair market value of Metal Tiger's 30% interest in Metal Capital Exploration to be acquired, against the fair market value of the total consideration to be received by Metal Tiger. The table below sets out this comparison.

**Table 3**

	Unit	Low	High	Preferred
Metal Capital Exploration's assets <sup>1</sup>	\$m	24.71	33.71	24.71
Metal Capital Exploration's surplus assets/liabilities <sup>2</sup>	\$m	0.64	0.64	0.64
Value of 100% interest in Metal Capital Exploration	\$m	25.36	34.36	25.36
<b>Value of 30% interest in Metal Capital Exploration<sup>3</sup></b>	<b>\$m</b>	<b>7.61</b>	<b>10.31</b>	<b>7.61</b>
Value of the Scrip Consideration per MOD share under the Proposed Scheme	\$/share	0.40	0.43	0.42
Scrip consideration offered to Metal Tiger (22,322,222 MOD shares) <sup>4</sup>	\$m	8.93	9.60	9.38
Royalty consideration (2% NSR) <sup>5</sup>	\$m	3.95	5.39	3.95
<b>Total consideration offered to Metal Tiger</b>	<b>\$m</b>	<b>12.88</b>	<b>14.99</b>	<b>13.33</b>
<b><i>Difference between the value of a 30% interest in Metal Capital Exploration and consideration offered to Metal Tiger</i></b>		<b>5.27</b>	<b>4.68</b>	<b>5.72</b>

Source: Deloitte Corporate Finance analysis

Notes:

1. Refer to Section 5.4 of the Scheme IER, adjusted to 100% interest
2. Refer to Section 5.2 of the Scheme IER, adjusted to 100% interest
3. It is common market practice to not apply a minority discount in considering a pro-rata interest in a joint venture (**JV**)
4. We have not considered the Options to be converted into shares in MOD in this analysis, as these options had already been granted to Metal Tiger previously
5. Refer to our analysis in Section 3
6. The above table is subject to rounding

Based on this analysis, it is evident that Metal Tiger is receiving consideration approximately \$5.0 million to \$6.0 million greater than the value of the 30% interest in Metal Capital Exploration being acquired.

The original cash component approved by Shareholders was to be calculated based on the proportion of the value attributed by brokers to Tshukudu Exploration (Pty) Ltd (**Tshukudu Exploration**) relative to the enterprise value of MOD multiplied by any change of control offer (the 2% NSR was to be added to the cash component). However, given there were limited broker valuations specifically of Tshukudu Exploration, the parties derived their own valuation of Tshukudu Exploration. It would appear this valuation is sitting at the top end of our valuation range of Tshukudu Exploration. In combination with the 2% NSR this is resulting in a \$5.0 million to \$6.0 million difference in value.

Non-Associated Shareholders may consider the approximately \$5.0 million to \$6.0 million difference in value to be significant. However, it is not a material component of the overall Proposed Scheme (representing approximately 4% of the total equity value of MOD), and we consider that the Proposed Transactions should not be considered in isolation of the Proposed Scheme, given the Metal Tiger Transaction is a condition precedent to the Proposed Scheme.

### **If the Metal Tiger Transaction fails, the Sale and Demerger Agreement terms will remain in place and will need to be dealt with in any future change of control transaction**

Metal Tiger currently holds 10.46% of the issued shares in MOD and 40.7 million nil exercise price Options. If the Proposed Scheme is not implemented, Metal Tiger has agreed not to divest its interest in MOD to any strategic investors for a period of 12 months.

The Sale and Demerger Agreement terms, including the JV Consolidation Option, will remain in force. The buy-out of Metal Tiger's interest in Metal Capital Exploration will then remain to be dealt with under any future change of control transaction in MOD, or otherwise under the Mineral Resource Option or JV Roll-up Option.

### Conclusion on reasonableness

On balance, in our opinion, the Proposed Transactions are reasonable.

## Opinion

In our opinion, the Proposed Transactions are fair and reasonable to Non-Associated Shareholders. An individual securityholder's decision in relation to the Proposed Transactions may be influenced by his or her particular circumstances. If in doubt the securityholder should consult an independent adviser, who should have regard to their individual circumstances.

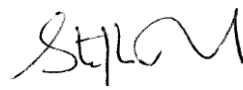
This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully



**Nicki Ivory**

Authorised Representative  
AR Number: 461005



**Stephen Reid**

Authorised Representative  
AR Number: 461011

# Glossary

Reference	Definition
\$	Australian dollars
AIM	Alternative Investment Market
AR	Authorised Representative
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
BWP	Botswana Pula
Bidder, the	Sandfire Resources NL
Cash Consideration	Cash of \$0.45 per share up to a "scheme" maximum of \$41.6 million for those shareholders who elect to receive cash as their consideration for the Proposed Scheme
Cobre	Cobre Pty Ltd
Company, the	MOD Resources Limited
DCF	Discounted Cash Flow methodology
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
DTMA	Deloitte Technical Mining Advisory
Exploration Assets, the	Prospecting licences other than that associated with the T3 Project
FSG	Financial Services Guide
Independent Directors, the	The Independent Directors of MOD, excluding the representation held by Metal Tiger
JV	Joint venture
JV Consolidation Option, the	Option to purchase Metal Tiger's 30% interest in Metal Capital Exploration, in the event of a change of control
JV Roll-up Option, the	Option to purchase Metal Tiger's 30% interest in Metal Capital Exploration, three years after the completion of the Sale and Demerger Agreement
Listing Rules, the	Listing Rules of the ASX
Metal Capital Exploration	Metal Capital Exploration Limited
Metal Tiger	Metal Tiger Plc
Metal Tiger Transaction, the	MOD has agreed to exercise its option to acquire Metal Tiger's 30% interest in Metal Capital, for 22,322,222 MOD shares and a 2% net smelter royalty
Mineral Resource Option, the	Option to purchase 100% of further discoveries on prospecting licences held by Metal Capital Exploration which progress into scoping study stage
Maximum Cash Consideration	Cash of \$0.45 per share up to a maximum of \$41.6 million
MOD	MOD Resources Limited or the Company
Non-Associated Shareholders	The MOD Shareholders not associated with the Proposed Transactions

Reference	Definition
NSR	Net smelter royalty
Options	40.7 million nil exercise price options held by Metal Tiger
Original JV	70% owned by MOD and 30% by Metal Tiger
Proposed Scheme, the	Sandfire would acquire 100% of the issued shares in MOD via a scheme of arrangement
Proposed Transactions	The Metal Tiger Transaction, and the conversion of the remaining Options and issue of 4,825,168 MOD shares
Sale and Demerger Agreement, the	MOD agreement to acquire Metal Tiger's 30% interest in the T3 Project, and demerge certain exploration assets into Metal Capital Exploration
RG 111	ASIC Regulatory Guide 111
RG 112	ASIC Regulatory Guide 112
Sandfire	Sandfire Resources NL
Scheme IER	Independent expert's report prepared in respect of the Proposed Scheme
Scrip Consideration	0.0664 Sandfire shares for 1 MOD share for those shareholders who elect to receive shares as their consideration for the Proposed Scheme
Section 611	Section 611 of the Corporations Act 2001 (Cth)
Shareholders	MOD Shareholders
SID	Scheme Implementation Deed
T3 Project, the	T3 copper project in the Kalahari Copper Belt in Botswana
T3 Project Model, the	Financial model for the T3 Project
T3 Project NSR	2% net smelter royalty over the T3 Project, capped at an aggregate of US\$2 million
Target, the	MOD Resources Limited
Technical Assumptions, the	the Technical Assumptions adopted in the T3 Project Model
Tshukudu Exploration	Tshukudu Exploration (Pty) Ltd
UK	United Kingdom
VALMIN code	Code for Public Reporting of Technical Assessment and Valuation of Minerals Assets

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# 1 Overview of the Metal Tiger Transaction

## 1.1 Background

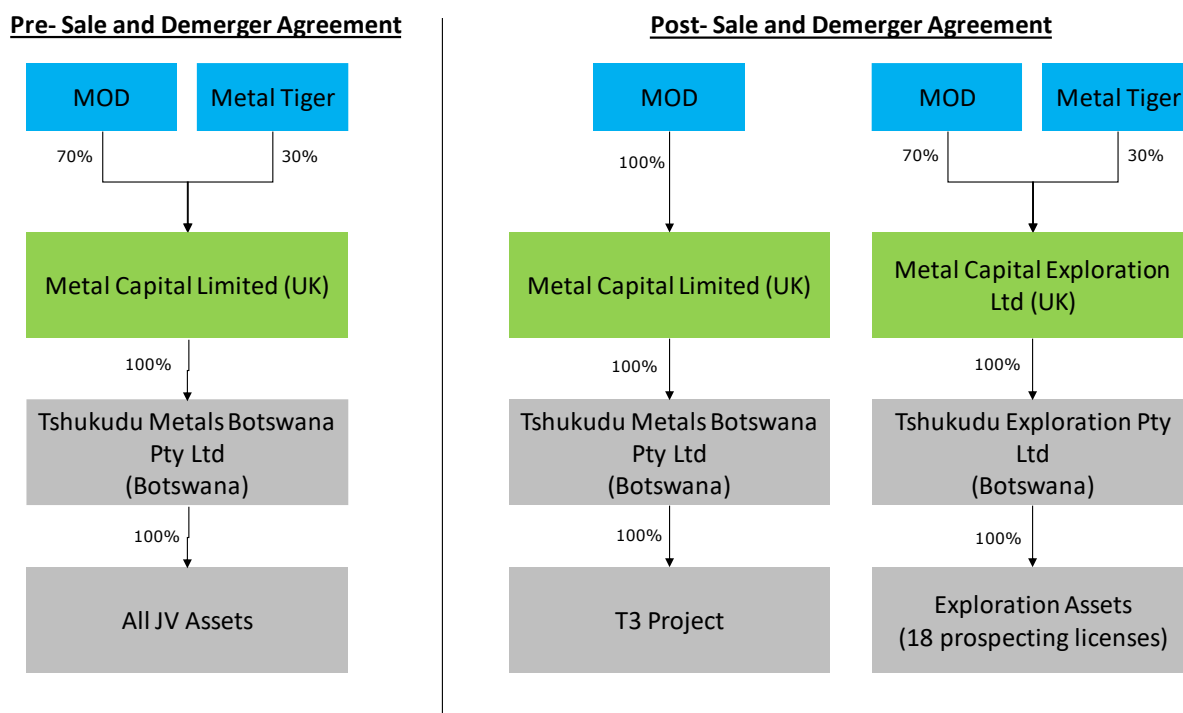
On 16 December 2015, MOD together with Metal Tiger acquired 14 prospecting licences and subsequently formed a JV, 70% owned by MOD and 30% by Metal Tiger (**Original JV**). The prospecting licences included seven priority exploration targets in the Kalahari Copper Belt in Botswana, one of which has been developed into the T3 Project.

On 18 July 2018, MOD announced that it had executed a binding agreement (**the Sale and Demerger Agreement**) to acquire Metal Tiger's 30% interest in the T3 Project. To affect the Sale and Demerger Agreement, the prospecting licences other than that associated with the T3 Project (**the Exploration Assets**) were transferred to Metal Capital Exploration, a new JV owned 70% by MOD and 30% by Metal Tiger.

The Sale and Demerger Agreement was implemented in November 2018 and culminated in the T3 Project and its prospecting licence PL190/2008 being owned 100% by MOD, and the Exploration Assets being owned by Metal Capital Exploration through its wholly owned subsidiary Tshukudu Exploration. It is important to note that the area of the PL 190/2008 outside of the T3 Project is held by MOD in trust on behalf of Tshukudu Exploration. All exploration activities on this area will be undertaken by Tshukudu Exploration as part of Metal Capital Exploration JV.

The figure below sets out the group structure before and after the Sale and Demerger Agreement:

**Figure 1**



Source: MOD London Stock Exchange (LSE) listing prospectus dated 8 March 2019

In consideration for the acquisition of the T3 Project, Metal Tiger was issued 17,090,000 ordinary shares in MOD and 40,673,566 options. Each option can be converted into one ordinary share in MOD at nil exercise price within three years after the issue date. Additionally, Metal Tiger retained a 2% net smelter royalty over the T3 Project (**T3 Project NSR**), capped at an aggregate value of US\$ 2 million.

As a result of the Sale and Demerger Agreement, MOD acquired the following rights:

- option to purchase 100% of further discoveries on prospecting licences held by Metal Capital Exploration which progress into scoping study stage (**the Mineral Resource Option**)
- option to purchase Metal Tiger's 30% interest in Metal Capital Exploration, three years after the completion of the Sale and Demerger Agreement (**the JV Roll-up Option**)
- option to purchase Metal Tiger's 30% interest in Metal Capital Exploration, in the event of a change of control of MOD (**the JV Consolidation Option**). The Proposed Scheme required MOD to exercise the JV Consolidation Option, leading to the negotiation of the consideration of the Metal Tiger Transaction.

The original consideration negotiated under the Sale and Demerger agreement included a cash component and a 2% NSR. The original cash component was to be calculated according to the relative proportion of MOD's enterprise value that independent brokers attributed to Tshukudu Exploration at the time of exercise of the JV Consolidation Option multiplied by the implied enterprise value of the Change of Control offer for MOD and applied to Metal Tiger's percentage ownership in the asset. This consideration, as well as the payment of the 2% NSR, was previously approved by Shareholders. As part of the Metal Tiger Transaction, the cash component was renegotiated and replaced with a scrip component.

## 1.2 Key conditions of the Proposed Transactions

In exchange for exercising the JV Consolidation Option, Metal Tiger has been offered and accepted the following consideration:

- 22,322,222 new MOD shares prior to the Record Date<sup>7</sup> for the Proposed Scheme.
- a 2% NSR over future production from the Exploration Assets held by Metal Capital Exploration.

The Proposed Transactions require approval by Non-Associated Shareholders at the Extraordinary General Meeting.

The Metal Tiger Transaction is conditional on the Proposed Scheme i.e. if the Proposed Scheme does not proceed, the Metal Tiger Transaction will not be implemented. However, the Proposed Scheme could still be implemented if the Metal Tiger Transaction does not proceed, as the condition precedent to the Proposed Scheme in relation to the Metal Tiger Transaction is for the sole benefit of Sandfire and may be waived by Sandfire at their discretion.

If the Proposed Scheme is not effected, Metal Tiger has agreed not to dispose of its MOD shares to certain strategic investors for a period of 12 months.

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<sup>7</sup> Record Date means 5.00pm on the fifth Business Day after the Effective Date of the Proposed Scheme

## 2 Company Profiles

### 2.1 MOD

MOD is an Australian copper development and exploration company which is dual listed on the LSE and ASX. MOD's primary asset is its 100% interest in the T3 Project, a copper-silver project at pre-development stage located in the Kalahari Copper Belt, Botswana.

For a detailed profile of MOD, please refer to Section 2 of the Scheme IER.

### 2.2 Metal Tiger

Metal Tiger is a company incorporated in the United Kingdom (**UK**) and listed on the LSE Alternative Investment Market (**AIM**). Metal Tiger invests in high potential opportunities in the mineral exploration and development sector. Metal Tiger has two investment divisions: Direct Equities and Direct Projects.

The Direct Equities division invests in natural resource companies listed on the AIM, ASX and TSX. Through its Direct Equities division, Metal Tiger holds a 10.46% interest and 40.7 million Options in MOD.

Metal Tiger's Direct Projects division is focused on the development of its key project interests in Botswana, Spain and Thailand, and more recently Australia. In Botswana, Metal Tiger has interests in the Kalahari Copper Belt, through Metal Capital Exploration and through its interest in Kalahari Metals Limited. In Spain, the company has joint ventures in tungsten and gold projects in the Extremadura region. In Thailand, Metal Tiger has interests in two potentially near-production stage lead/zinc/silver mines. In respect to Australia, on 26 July 2019 Metal Tiger entered into a binding term sheet to acquire an initial 15% interest in Cobre Pty Ltd (**Cobre**). Cobre is a privately-owned Australian copper exploration company which recently acquired 80% of Toucan Gold Pty Ltd, which holds 100% of the Perrinvale Copper Project in central Western Australia.

Metal Tiger currently has one non-executive director representative on the MOD board of directors. Metal Tiger is entitled to retain its MOD board representation as long as its interest in MOD stays above 10%.

### 2.3 Metal Capital Exploration

Metal Capital Exploration is a JV between MOD (70%) and Metal Tiger (30%). The company has a wholly owned subsidiary incorporated in Botswana, Tshukudu Exploration, which holds 18 prospecting licences granted by the Botswanan Ministry of Mineral Resources, Green Technology and Energy Security, covering approximately 8,000 km<sup>2</sup> of the Kalahari copper region.

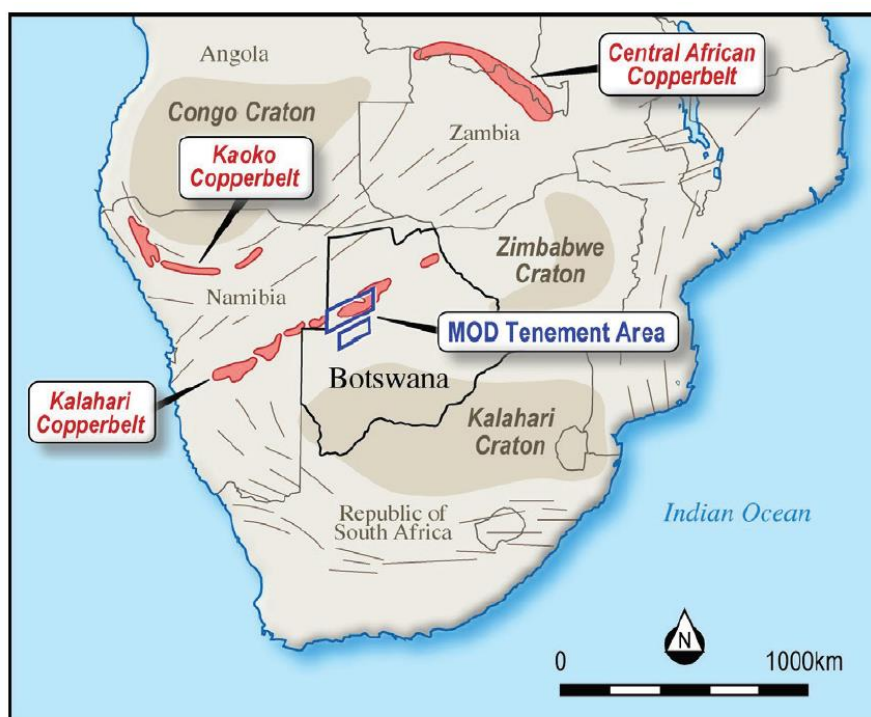
The Kalahari Copper Belt is a 1,000 km long belt of deformed, Neoproterozoic to Paleozoic sedimentary and volcanic rocks which stretches from central Namibia to north-eastern Botswana, and which contains a number of sediment hosted copper deposits. The portion of this belt that lies within Botswana is known as the Ghanzi-Chobe Belt.

Sediment-hosted copper deposits occurring within the Kalahari Copper Belt include the Klein Aub, Oamites and Witvlei deposits in Namibia, and several deposits in the Ghanzi-Chobe Belt. A total of approximately 7 Mt contained copper has been estimated in current mineral resources within various deposits in the Kalahari Copper Belt in Botswana.

The figure below presents the location of the prospecting licences owned by Metal Capital Exploration.



**Figure 2**



Source: Management of MOD

Note:

1. The blue outlines denote the approximate location of the Metal Capital Exploration Prospective Licences

The table below sets out the details of the 18 prospecting licences held by Metal Capital Exploration.

**Table 4**

#	License No.	Minerals Covered	Area (km <sup>2</sup> )	Date of Grant / Extension	Date of Expiry	Minimum Annual Expenditure Commitment (BWP'000 <sup>1</sup> )
1	PL186/2008	Base metals	557.0	1-Jan-19	31-Dec-20	Year 1: 500; Year 2: 700
2	PL187/2008	Base metals	648.8	1-Jan-19	31-Dec-20	Year 1: 500; Year 2: 700
3	PL188/2008	Base metals	395.0	1-Jan-19	31-Dec-20	Year 1: 500; Year 2: 700
4	PL189/2008	Base Metals	210.7	1-Oct-18	30-Sep-20	Year 1: 1,000; Year 2: 1,000
5	PL191/2008	Base metals	572.0	1-Jan-19	31-Dec-20	Year 1: 500; Year 2: 700
6	PL192/2008	Base metals	604.5	1-Jan-19	31-Dec-20	Year 1: 500; Year 2: 700
7	PL102/2005	Base metals	331.1	1-Jan-19	31-Dec-20	Year 1: 500; Year 2: 700
8	PL103/2005	Base metals	131.1	1-Jan-19	31-Dec-20	Year 1: 500; Year 2: 700
9	PL104/2005	Base metals	285.3	1-Jan-19	31-Dec-20	Year 1: 500; Year 2: 700

10	PL060/2012	Base metals	809.2	1-Jan-19	31-Dec-20	Year 1: 500; Year 2: 700
11	PL061/2012	Base metals	974.9	1-Jan-19	31-Dec-20	Year 1: 500; Year 2: 700
12	PL231/2106	Base Metals	65.0	1-Oct-16	30-Sep-19	Year 1: 200; Year 2: 250; Year 3: 300
13	PL074/2017	Base Metals	45.0	1-Apr-17	31-Mar-20	Year 1: 200; Year 2: 250; Year 3: 400
14	PL099/2017	Base Metals	285.0	1-Oct-17	30-Sep-20	Year 1: 300; Year 2: 450; Year 3: 500
15	PL189/2017	Base Metals	370.0	1-Oct-17	30-Sep-20	Year 1: 200; Year 2: 250; Year 3: 400
16	PL126/2013	Base Metals	341.4	1-Oct-18	30-Sep-20	Year 1: 400; Year 2: 500
17	PL127/2013	Base Metals	668.6	1-Oct-18	30-Sep-20	Year 1: 400; Year 2: 500
18	PL093/2018	Base Metals	160.0	1-Oct-18	30-Sep-21	Year 1: 300; Year 2: 450; Year 3: 500

Source: Management of MOD

Note:

1. Thousands of Botswanan Pula (**BWP**)

### 2.3.1 Financial performance

Metal Capital Exploration was incorporated in July 2018. Metal Capital Exploration's activities have a very limited scope, as they are restricted to prospecting studies and drilling which are at a very early stage. Metal Capital Exploration's financial performance is therefore restricted to minimal exploration expenditures.

## 2.3.2 Financial position

We have summarised in the table below the financial position of Metal Capital Exploration including Tshukudu Exploration as at 31 December 2018.

**Table 5**

<b>\$'000</b>	<b>Audited management accounts 31 December 2018</b>
Cash	0.9
Intercompany account	517.9
Property, plant and equipment	648.4
Intangibles	13.1
Exploration and evaluation expenditures	8,316.7
<b>Total assets</b>	<b>9,497.0</b>
Payables	0.3
Provisions	3.3
<b>Total liabilities</b>	<b>3.6</b>
<b>Net assets</b>	<b>9,493.3</b>

Source: Audited Management Accounts of MOD

We note the following in relation to the financial position of Metal Capital Exploration:

- the intercompany account relates mainly to transactions with Tshukudu Metals, which was the former holding company for the prospecting licences, and associated expenses that were incurred during the transition period after the Sale and Demerger Agreement was entered into
- property, plant and equipment is mainly comprised of a laboratory for samples testing, motor vehicles and other fixed assets on site in Botswana
- intangibles are mainly comprised of geology software acquired from third parties
- as at 31 December 2018, Metal Capital Exploration had \$8.3 million in exploration and evaluation expenditures associated with the Prospecting Licences
- Metal Capital Exploration did not have any debt as at 31 December 2018.

## 3 Valuation of MOD

### 3.1 Selection of valuation methodologies

In assessing the fair market value of MOD prior to the Proposed Transactions, we have adopted a sum-of-parts approach, which aggregates our assessed fair market value of the interests held by MOD in various pre-development and exploration assets (including Metal Capital Exploration), before adding or subtracting any surplus assets and liabilities and adding net cash.

The sum of the parts methodology has been applied to the following key assets, using generally acceptable valuation methodologies as set out in Appendix 1 of the Scheme IER. Our selected valuation methodologies are described below:

**Table 6**

Summary of assets	Reference	Selected valuation methodology
<b>Mining assets</b>		
T3 Project	Scheme IER - Section 5.3	Income based approach - DCF
Metal Capital Exploration's Exploration Assets	Scheme IER - Section 5.4	Market and cost approach
Other exploration assets in Botswana	Scheme IER - Section 5.4	Market and cost approach
Sams Creek gold project	Scheme IER - Section 5.5	Book value and market approach
<b>Other assets and liabilities</b>		
Corporate costs	Scheme IER - Section 5.6	Income based approach - DCF
Adjusted cash balance / surplus assets	Scheme IER - Section 5.7	Adjusted carrying value
Options liability	Scheme IER - Section 5.8	Black-Scholes model

Source: Deloitte Corporate Finance analysis

We have valued the T3 Project using the discounted cash flow methodology (**DCF**), as is customary for projects at a similar stage of development (i.e. pre-development) for which long term forecasts can be estimated with a reasonable degree of confidence. The operational cash flow projections underpinning our valuation of the T3 Project are presented in Section 5.3 of the Scheme IER.

The valuation methodology adopted by DTMA for the exploration assets (Metal Capital Exploration and other exploration assets held by MOD) is set out in Section 5.4 of the Scheme IER.

The valuation methodology used for the other assets and liabilities of MOD is set out in Sections 5.6, 5.7 and 5.8 of the Scheme IER.

Refer to Section 5.9 of the Scheme IER for an analysis of the notional diluted MOD shares on issue.

## 3.2 Valuation of MOD shares prior to the Proposed Transactions (on a control basis)

We have estimated the fair market value of a share in MOD, on a control basis prior to the Proposed Transactions, to be in the range of \$0.41 to \$0.51, with a midpoint value of \$0.45.

This valuation range has been estimated using a sum of parts approach, which has required the assessment of:

- the fair market value of MOD's 100% interest in the T3 Project. We have assessed the value of the T3 Project using a DCF approach, having regard to the feasibility study for the development of the project, adjusted to reflect Deloitte Corporate Finance and DTMA's views on certain cash flow projection assumptions
- the fair market value of the 70% interest in the Exploration Assets owned<sup>8</sup> by Metal Capital Exploration prior to the Proposed Transactions
- the fair market value of MOD's 100% interest in other exploration tenements and areas in Botswana, owned by MOD Resources (Botswana) Pty Ltd, a wholly owned subsidiary of MOD
- the fair market value of MOD's interest in the Sams Creek<sup>9</sup>
- the net present value of MOD's corporate overheads, having regard to the level of corporate costs which would be incurred post a change of control transaction
- other surplus assets and liabilities held by Metal Capital Exploration, prior to the Metal Tiger Transaction (70% interest), and MOD Resources (Botswana) Pty Ltd
- the current adjusted cash balance, net of any transaction costs and committed obligations
- the notional number of ordinary shares on issue, considering any anticipated dilution from the exercise of 'in the money' options and performance rights prior to the Metal Tiger Transaction.

As we are assessing the value of MOD prior to the Proposed Transactions, we have not considered the additional 22.3 million new shares to be issued to Metal Tiger in consideration for the Metal Tiger Transaction. We have, however, considered the exercise of the 40.7 million Options held by Metal Tiger in our valuation as these have already been granted. While they cannot all legally be exercised immediately unless Non-Associated Shareholder approval is obtained, in substance they all have a claim on value and could all be exercised over time using the 3% creep provision.

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<sup>8</sup> Including the area of the PL 190/2008 outside of the T3 Project that is held by MOD in trust on behalf of Tshukudu Exploration

<sup>9</sup> MOD's interest in the Sams Creek project consists of a 100% interest in EP 54454 and a 80% interest in EP 40338

The following table sets out our assessment of the fair market value of a MOD share prior to the Proposed Transactions on a control basis using the sum of the parts method:

**Table 7**

Values based on MOD's interest	Unit <sup>1</sup>	MOD's Interest	Low	High	Mid
T3 Project <sup>2</sup>	\$m <sup>3</sup>	100%	107.00	129.00	118.00
Metal Capital Exploration's assets	\$m <sup>3</sup>	70%	17.30	23.60	17.30 <sup>6</sup>
Other exploration assets in Botswana	\$m <sup>3</sup>	100%	21.43	24.71	22.86 <sup>6</sup>
Sams Creek Gold Project	\$m	Various	0.00	3.80	1.90
Less: Corporate support	\$m	100%	(7.14)	(7.89)	(7.52)
Less: Options liability	\$m	100%	(1.01)	(1.01)	(1.01)
Add: Adjusted <sup>4</sup> cash balance	\$m	100%	4.75	4.75	4.75
Add: Other surplus assets <sup>5</sup>	\$m	Various	0.29	0.29	0.29
<b>Equity value of MOD Resources (control basis)</b>	<b>\$m</b>		<b>142.61</b>	<b>177.25</b>	<b>156.57</b>
Number of ordinary shares on issue (on a diluted basis)	million		348.01	348.01	348.01
<b>Value of a share in MOD (on a control basis)</b>	<b>\$/share</b>		<b>0.41</b>	<b>0.51</b>	<b>0.45</b>

Source: Deloitte Corporate Finance analysis

Notes:

1. The table above is subject to rounding
2. Including an assessment of the impact of Botswana Government option to acquire a minority stake in the project
3. Converted to \$ based on the US\$: rate of 0.70 as at 24 July 2019
4. Current cash balance adjusted for transaction costs and change of control payments to employees
5. Comprised of Metal Capital Exploration's (70% interest) and MOD Resources Botswana's (100% interest) assets and liabilities, being fixed assets, payables and receivables
6. For Metal Capital Exploration's assets and Other exploration assets in Botswana the mid values have been based on DTMA's preferred value

### 3.3 Valuation of MOD shares post the Proposed Transactions (on a minority basis) – for the purposes of reasonableness

We have estimated the fair market value of a share in MOD, on a minority interest basis post the Proposed Transactions, to be in the range of \$0.33 to \$0.41, with a midpoint value of \$0.36. We note that this analysis has been presented for the purposes of our reasonableness assessment only.

The Metal Tiger Transaction involves MOD acquiring the remaining 30% of Metal Capital Exploration it does not currently own, and Metal Tiger receiving 22,322,222 new MOD shares and a 2% NSR over future production from the Exploration Assets.

We have estimated the fair market value of a MOD share after the Proposed Transactions using the sum of the parts method which requires the determination of:

- the fair market value of MOD's 100% interest in the T3 Project
- the fair market value of MOD's 100% interest in the Exploration Assets owned by Metal Capital Exploration and the 2% NSR owed to Metal Tiger, post the Metal Tiger Transaction
- the fair market value of MOD's 100% interest in other exploration tenements and areas in Botswana, owned by MOD Resources (Botswana) Pty Ltd
- the fair market value of MOD's interest in Sams Creek
- other surplus assets and liabilities held by Metal Capital Exploration, post the Metal Tiger Transaction (100% interest), and MOD Resources (Botswana) Pty Ltd

- the net present value of MOD's corporate overheads
- the adjusted cash balance, net of any transaction costs and committed obligations
- the notional number of ordinary shares on issue, considering any anticipated dilution from the exercise of 'in the money' options and performance rights, and including those shares to be issued to Metal Tiger under the Metal Tiger Transaction (22,322,222 shares)
- an allowance for a minority interest discount.

The following table sets out our assessment of the fair market value of a MOD share post the Proposed Transaction on a minority interest basis using the sum of the parts method:

**Table 8**

Values based on MOD's interest	Unit <sup>1</sup>	MOD's Interest	Low	High	Mid
T3 Project <sup>2</sup>	\$m <sup>3</sup>	100%	107.00	129.00	118.00
Metal Capital Exploration's assets	\$m <sup>3</sup>	100%	24.71	33.71	24.71 <sup>6</sup>
2% NSR to Metal Tiger	\$m <sup>3</sup>	100%	(3.95)	(5.39)	(3.95)
Other exploration assets in Botswana	\$m <sup>3</sup>	100%	21.43	24.71	22.86 <sup>6</sup>
Sams Creek Gold Project	\$m	Various	0.00	3.80	1.90
Less: Corporate support	\$m	100%	(7.14)	(7.89)	(7.52)
Less: Options liability	\$m	100%	(1.01)	(1.01)	(1.01)
Add: Adjusted <sup>4</sup> cash balance	\$m	100%	4.75	4.75	4.75
Add: Other surplus assets <sup>5</sup>	\$m	100%	0.49	0.49	0.49
<b>Equity value of MOD post the Proposed Transactions (control basis)</b>	<b>\$m</b>		<b>146.27</b>	<b>182.16</b>	<b>160.22</b>
Number of ordinary shares on issue (on a diluted basis)	million		370.33	370.33	370.33
<b>Value of a share in MOD post the Proposed Transactions (on a control basis)<sup>6</sup></b>	<b>\$/share</b>		<b>0.39</b>	<b>0.49</b>	<b>0.43</b>
Minority interest discount <sup>7</sup>	%		17	17	17
<b>Value of a share in MOD post the Proposed Transactions (minority basis)</b>	<b>\$/share</b>		<b>0.33</b>	<b>0.41</b>	<b>0.36</b>

Source: Deloitte Corporate Finance analysis

Notes:

1. The table above is subject to rounding
2. Including an assessment of the impact of Botswana Government option to acquire a minority stake in the project
3. Converted to \$ based on the US\$: \$ rate of 0.70 as at 24 July 2019
4. Current cash balance adjusted for transaction costs and change of control payments to employees
5. Comprised of Metal Capital Exploration's and MOD Resources Botswana's assets and liabilities, being fixed assets, payables and receivables
6. For Metal Capital Exploration's assets and Other exploration assets in Botswana the mid values have been based on DTMA's preferred value
7. Refer to Appendix 2 for details of the selection of the minority interest discount

### NSR Consideration

Under the terms of the Metal Tiger Transaction, Metal Tiger is entitled to receive a 2% NSR applied to the future revenue from mining projects to be developed on the tenements owned by Metal Capital Exploration. Estimating these potential future payments to Metal Tiger is challenging, as they are dependent on the number of exploration tenements advanced to development, the timing of the development of the assets, and the ultimate scale of the development, all of which are currently unknown.

In order to provide a reference of value for the NSR, we have compared the value impact of a 2% NSR on the fair market value of the T3 Project (MOD's key pre-development copper project in Botswana), and as a proxy applied this relative value impact to the value of Metal Capital Exploration's exploration assets. Our assessment indicates that a similar royalty arrangement would have a negative impact on

the fair market value of any project ranging from 16% to 18%. Having regard to this analysis, we have estimated the NSR liability as 16% of the value of Metal Capital Exploration's exploration assets.



# Appendix 1: Context to the Report

## Individual circumstances

We have evaluated the Proposed Transactions for the Non-Associated Shareholders as a whole and have not considered the effect of the Proposed Transactions on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transactions from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Transactions are fair and reasonable to Non-Associated Shareholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

## Limitations, qualifications, declarations and consents

This report has been prepared at the request of the Independent Directors and is to be included in the Explanatory Statement to be provided to Non-Associated Shareholders for approval of the Proposed Transactions in accordance with Section 611 and ASX Listing Rule 10.1. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Explanatory Statement in their assessment of the Proposed Transactions outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and MOD, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Metal Tiger Transaction. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

This report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Transactions are fair and reasonable to the Non-Associated Shareholders as a whole. Deloitte Corporate Finance consents to this report being included in the Explanatory Statement in the form and context in which it is to be included in the Explanatory Statement.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by MOD and its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to MOD management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by MOD and its officers, employees, agents or advisors, MOD has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which MOD may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by MOD and its officers, employees, agents or advisors or the failure by MOD and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Scheme and the Proposed Transactions.

Deloitte Corporate Finance also relies on the report prepared by DTMA. Deloitte Corporate Finance has received consent from DTMA for reliance in the preparation of this report.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of MOD personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (AUASB) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for MOD included in this report has been prepared on a reasonable basis in accordance with RG 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of MOD referred to in this report since anticipated events frequently do not occur as expected and the variation

may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Nicki Ivory, B.Com., CA, CFA and Stephen Reid, M App. Fin. Inv, B.Ec, CA. Each have many years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

### **Consent to being named in disclosure document**

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of Tower 2, Brookfield Place, 123 St Georges Terrace, Perth, WA 6000, acknowledges that:

- MOD proposes to issue the Explanatory Statement to be provided to Non-Associated Shareholders in relation to the Proposed Transactions
- the Explanatory Statement will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Statement for review
- it is named in the Explanatory Statement as the 'independent expert' and the Explanatory Statement includes its independent expert's report as an Annexure.

On the basis that the Explanatory Statement is consistent in all material respects with the draft Explanatory Statement received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Statement in the form and context in which it is so named, to the inclusion of its independent expert's report as an Annexure to the Explanatory Statement and to all references to its independent expert's report in the form and context in which they are included, whether the Explanatory Statement is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Statement and takes no responsibility for any part of the Explanatory Statement, other than any references to its name and the independent expert's report as included as an Annexure.

### **Sources of information**

In preparing this report we have had access to the following principal sources of information:

- Scheme Implementation Agreement associated with the Proposed Scheme
- draft scheme booklet in relation to the Proposed Scheme
- draft Notice of Meeting and accompanying Explanatory Statement in relation to the Proposed Transactions
- audited financial statements and annual reports for MOD for the years ending 31 December 2016, 2017 and 2018 and for Sandfire for the years ending 30 June 2017 and 2018
- MOD and Sandfire's company website and ASX announcements
- publicly available information on comparable companies and market transactions published by ASIC, Thomson Research, Thomson Reuters Financial markets, SDC Platinum and Mergermarket
- other publicly available information, media releases and reports on MOD and Sandfire and the mining industry.

In addition, we have had discussions and correspondence with certain directors and executives, including Julian Hanna, Managing Director and Stef Weber, Chief Financial Officer in relation to the above information and to current operations and prospects.

## Appendix 2: Minority interest discount

For the purposes of our reasonableness assessment, we have assessed the fair market value of a MOD share after the Proposed Transactions after allowing for a minority interest discount.

The difference between the market value of a controlling interest and a minority interest is referred to as the premium for control. Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values. A minority interest discount is the inverse of a premium for control (minority interest discount =  $1 - [1 / (1 + \text{control premium})]$ ) and generally ranges between 15% and 30%. The owner of a controlling interest has the ability to do many things that the owner of a minority interest does not. These include:

- control the company's cash flows, such as dividends, capital expenditure and directors compensation
- determine the strategy and policy of the company
- make acquisitions, or divest operations
- control the composition of the board of directors.

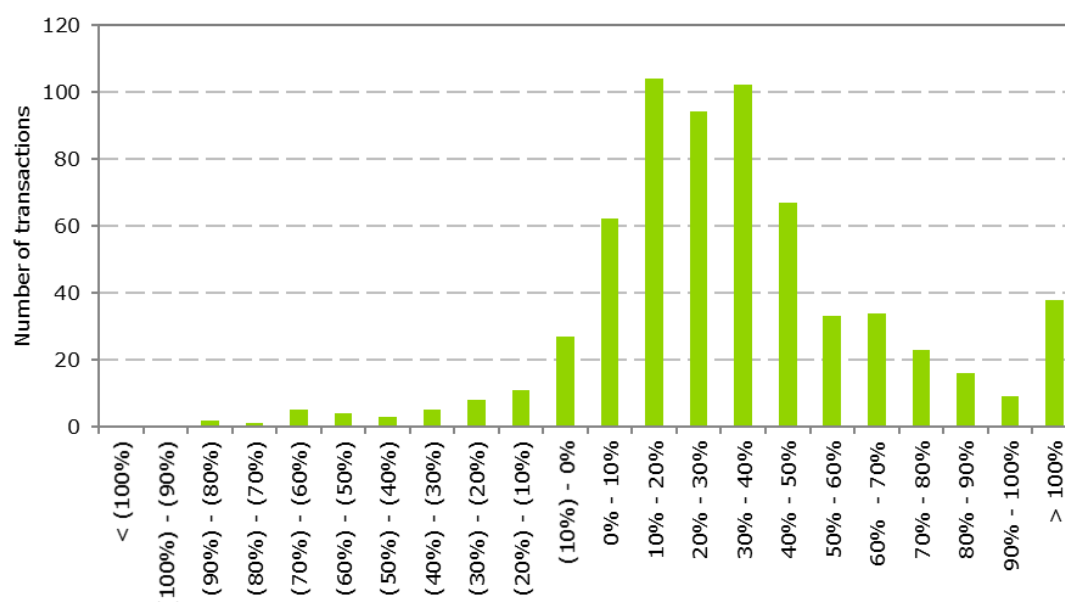
In determining an appropriate minority interest discount to apply to the equity value of MOD after the Proposed Transactions we have considered an empirical study conducted by Deloitte Corporate Finance of the premiums paid in transactions in Australia between 1 January 2000 and 31 December 2018. Our merger and acquisition data was sourced from MergerMarket, Capital IQ and Thomson Reuters along with publicly available news and information sources. This identified 648 transactions that were completed during the period under review.

Our data set consisted of transactions where an acquiring company increased its shareholding in a target company from a minority interest to a majority stake or acquired a majority stake in the target company.

We assessed the premiums by comparing the offer price to the closing trading price of the target company one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

The figure below illustrates the findings of this study:

**Figure 3**



Source: Deloitte Corporate Finance analysis

The level of discount that should be applied to the value of a controlling interest in order to derive the value of a minority interest is somewhat subjective. Based on the above considerations, and the net cash (no gearing) position of MOD, we believe that a minority interest discount in the order of 17% is appropriate for MOD after the Proposed Transactions, which is equivalent to a control premium of approximately 20%.



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MOD  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Lodge your Proxy Form:



**Online:**

[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## Proxy Form - General Meeting

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### Lodge your Proxy Form online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

**Control Number: 999999**

**SRN/HIN: I9999999999 PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



**For lodgement of your Proxy Form to be effective it must be received by 10:00am (WST) Sunday, 29 September 2019**

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach 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 also 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. Delete titles as applicable.

## Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO LODGE YOUR PROXY FORM, or turn over to complete the form →**

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of MOD Resources Limited hereby appoint

☐

the Chairman  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and 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 General Meeting of MOD Resources Limited to be held at 1304 Hay Street, West Perth, Western Australia on Tuesday, 1 October 2019 at 10:00am (WST) and at any adjournment or postponement of that meeting.

### STEP 2 Item of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

RESOLUTION 1 APPROVAL OF THE PROPOSED TRANSACTION

For

Against

Abstain

☐☐☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.

### SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date / /

MOD

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