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## MAGMATIC RESOURCES LIMITED

ACN 615 598 322

### NOTICE OF GENERAL MEETING

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Notice is given that the Meeting will be held at:

**TIME:** 10:00 AM (WST)  
**DATE:** 15 October 2019  
**PLACE:** Suite 8  
1297 Hay Street  
WEST PERTH WA 6005

**Independent Expert's Report:** Shareholders should carefully consider the Independent Expert's Report prepared for the purposes of section 611 item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of Resolution 2 to the non-associated Shareholders. The Independent Expert has determined that the transactions the subject of Resolution 2 are **NOT FAIR BUT REASONABLE**.

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

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10:00 AM (WST) on 13 October 2019.*

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## CONTENTS

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Business of the Meeting (setting out the proposed Resolutions)	7
Explanatory Statement (explaining the proposed Resolutions)	11
Glossary	44
Schedule 1 – Independent Expert’s Report	46
Schedule 2 – Pro-forma Consolidated Statement of Financial Position	127
Schedule 3 – Risk Factors	128
Schedule 4 – Terms and conditions of Director Options	133
Proxy Form	Attached

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## IMPORTANT INFORMATION

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### **Time and place of Meeting**

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Notice is given that the Meeting will be held at 10:00 AM (WST) on 15 October 2019 at Suite 8, 1297 Hay Street, West Perth WA 6005.

### **Your vote is important**

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

### **Voting eligibility**

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10:00 AM (WST) on 13 October 2019.

### **Voting in person**

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

### **Voting by proxy**

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

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

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

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

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

Further details on these changes are set out below.

#### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

#### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

#### **DEFINED TERMS**

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Capitalised terms in this Notice of Meeting and Explanatory Statement are defined either in the "Glossary" Section or where the relevant term is first used.

#### **RESPONSIBILITY**

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This Notice of Meeting and Explanatory Statement has been prepared by the Company under the direction and oversight of its Directors.

## **OTHER LEGAL REQUIREMENTS - PROSPECTUS**

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Under applicable ASIC guidelines, the invitation to Shareholders to vote on Resolution 1 of the Notice of Meeting constitutes an “offer” to transfer Australian Gold and Copper Ltd Shares to Shareholders pursuant to the In-specie Distribution under Chapter 6D of the Corporations Act and a prospectus is required unless an exemption applies or ASIC provides relief. As no exemptions apply and no relief was obtained, the Company has prepared a prospectus that contains information in relation to Australian Gold and Copper Ltd (**AGC**) (**Prospectus**).

The Prospectus accompanies this Notice of Meeting and has been lodged with ASIC at the same time as this Notice of Meeting. The Company recommends that all Shareholders read the Prospectus carefully and in conjunction with this Notice of Meeting. The Prospectus also allows Shareholders to sell their AGC Shares within the first 12 months after receiving them without further disclosure.

There is no information known to the Company that is material to the decision by a Shareholder on how to vote on Resolution 1 other than as disclosed in this Notice of Meeting and Explanatory Statement, the accompanying Prospectus and information that the Company has previously disclosed to Shareholders.

## **PURPOSE OF THIS DOCUMENT**

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This document explains the terms of the proposed In-specie Distribution, and the manner in which the In-specie Distribution (or parts of it) will be implemented (if approved), and to provide such information as is prescribed or otherwise material to the decision of Shareholders whether or not to approve Resolution 1 to give effect to the In-specie Distribution. This document includes a statement of all the information known to the Company that is material to Shareholders in deciding how to vote on Resolution 1, as required by section 256C(4) of the Corporations Act.

## **ASIC AND ASX**

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A final copy of this Notice of Meeting and Explanatory Statement has been lodged with ASIC and ASX, together with a copy of the Prospectus that accompanies this Notice of Meeting. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this document.

## **FORWARD LOOKING STATEMENTS**

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Some of the statements appearing in this document may be in the nature of forward looking statements. The words ‘anticipate’, ‘believe’, ‘expect’, ‘project’, ‘forecast’, ‘estimate’, ‘likely’, ‘intend’, ‘should’, ‘could’, ‘may’, ‘target’, ‘plan’, ‘consider’, ‘foresee’, ‘aim’, ‘will’ and similar expressions are intended to identify forward-looking statements. Indications of guidance on future production, resources, reserves, sales, capital expenditure, earnings and financial position and performance are also forward-looking statements.

You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties many of which are outside the Company’s control. Those risks and uncertainties include factors and risks specific to the Company and AGC such as (without limitation) the status of exploration and mining applications and licences and the risks associated with the non-grant or expiry of those applications and licences, liquidity risk, risks associated with the exploration or developmental stage of projects, funding risks, operational risks, changes to Government fiscal, monetary and regulatory policies, regulatory approvals, the impact of actions of Governments, the potential difficulties in enforcing agreements, protecting assets and increases in costs of transportation and shipping of international operations, alterations to resource estimates and exploration targets and the imprecise nature of resource and reserve statements, any circumstances adversely affecting areas in

which the Company operates, fluctuations in the production, volume and price of commodities, any imposition of significant obligations under environmental regulations, fluctuations in exchange rates, the fluctuating industry and commodity cycles, the impact of inflation on operating and development costs, taxation, regulatory issues and changes in law and accounting policies, the adverse impact of wars, terrorism, political, economic or natural disasters, the impact of changes to interest rates, loss of key personnel and delays in obtaining or inability to obtain any necessary Government and regulatory approvals, the ability to service debt and to refinance debt to meet expenditure needs on any future acquisitions, increased competition, insurance and occupational health and safety. For more information on the risk factors facing AGC, please refer to Schedule 3.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected.

None of the Company, AGC nor any of their respective officers or any person named in this document or involved in the preparation of this document make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

The forward looking statements in this document reflect views held only as at the date of this document.

#### **NO FINANCIAL PRODUCT ADVICE**

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This document does not constitute financial product, taxation or investment advice nor a recommendation in respect of the AGC Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances.

Neither the Company nor AGC is licensed to provide financial product advice. No cooling-off regime applies in respect of the acquisition of AGC Shares under the In-specie Distribution (whether the regime is provided for by law or otherwise).

#### **NO INTERNET SITE IS PART OF THIS DOCUMENT**

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No internet site is part of this Notice of Meeting and Explanatory Statement. The Company maintains an internet site (<https://magmaticresources.com>). Any reference in this document to this internet site is a textual reference only and does not form part of this document.

#### **RECOMMENDATIONS**

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Your Directors unanimously recommend the approval of the proposed Resolution 1 and encourage Shareholders to vote **IN FAVOUR OF** Resolution 1.

In forming their unanimous recommendation in respect of Resolution 1 the Directors have carefully considered the following matters:

- (a) To create AGC, a separate unlisted entity to focus on the future development of the NSW Assets, with a strategy to pursue joint venture arrangements with major partners with the financial capacity to provide funding for exploration and development.
- (b) To enable AGC to take a longer-term view of the NSW copper-gold-porphyry projects which are:

- (i) focussed on finding and developing large-scale copper-gold-porphyry projects; and
  - (ii) require significant capital expenditure over the medium to long term.
- (c) To provide separate holding structure and funding channels, thereby allowing the Company to conserve its cash resources for undertaking activities connected with the WA Assets and New WA Assets and also enabling each separate entity to achieve a funding profile more attuned to the stage of development of its respective assets.
- (d) To make it easier to raise equity to fund the WA Assets and New WA Assets.

The Directors have also considered the following potential disadvantages:

- (a) Shareholders will receive shares in AGC which is an unlisted public company. The AGC Shares will not trade on ASX or any other market exchange, and therefore there will be a less liquid market for the AGC Shares. However, following implementation of the Proposal, Shareholders will maintain their shareholding in Magmatic, which is liquid and tradeable.
- (b) The proposals require 2 separate companies, management structures and funding. However, the Company already has identified experienced directors and exploration staff to take forward both companies.

Having regard to each of the above matters, the Directors consider that, on balance, the In-specie Distribution of AGC Shares to Shareholders is in the best interests of Shareholders as the Directors believe that the Company will be able to provide greater value to the Shareholders through the Spin-off. Shareholders will have both the short-term upside and liquidity in Magmatic and the longer term benefit of a shareholding in AGC.

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## IMPORTANT NOTICES

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### Key Dates\*

Extraordinary General Meeting to approve the In-specie Distribution of AGC Shares	15 October 2019
ASX informed of Shareholder approval	15 October 2019
Record Date*	17 October 2019
In-specie Distribution to Shareholders of AGC Shares*	18 October 2019

\* These dates are indicative only and may change without notice. Refer to Section 1.6 of the Explanatory Statement for further details.

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## BUSINESS OF THE MEETING

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### AGENDA

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1. **RESOLUTION 1 – APPROVAL FOR AN EQUAL REDUCTION OF CAPITAL AND IN-SPECIE DISTRIBUTION**

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

*“That, subject to the passing of Resolution 2, for the purposes of Section 256B and 256C of the Corporations Act and for all other purposes, approval is given for the capital of the Company to be reduced by the Company making a pro-rata in specie distribution of 117,242,568 shares of Australian Gold and Copper Ltd to Shareholders registered on the Record Date, to be effected in accordance with the Constitution, the ASX Listing Rules and as otherwise determined by the Directors, with the consequence that each Shareholder on the Record Date shall be deemed to have consented to becoming an AGC Shareholder and being bound by its constitution, on the terms and conditions set out in the Explanatory Statement.”*

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2. **RESOLUTION 2 – APPROVAL OF THE ISSUE OF SHARES TO THE VENDOR SHAREHOLDERS**

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

*“That, subject to the passing of Resolution 1, for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, approval is given for:*

- (a) the Company to issue up to 127,657,699 Shares to the Vendor Shareholders; and*
- (b) the acquisition of an increased relevant interest in the issued voting shares of the Company by the Vendor Shareholders, otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of the New Shares, which will result in the Vendor Shareholders and their associates voting power in the capital of the Company increasing from 0.085% to a maximum of 52.15%,*

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

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by the Vendor Shareholders or any of their associates.

**Expert’s Report:** Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under section 611 (item 7) of the Corporations Act. The Independent Expert’s Report annexed at Schedule 1 comments on the fairness and reasonableness of the transactions the subject of Resolution 2 to the non-associated Shareholders in the Company and concluded that the issue of the New Shares to the Vendor Shareholders is **not fair but reasonable**.

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### 3. RESOLUTION 3 – PLACEMENT – SHARES

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

*“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to that number of Shares which, when multiplied by the issue price, will raise up to \$1,500,000, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 4. RESOLUTION 4 – ISSUE OF OPTIONS TO RELATED PARTY – MR ANDY VINER

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

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 2,500,000 Options as Director incentive remuneration to Mr Andy Viner (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by or on behalf of any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, and any associates of those Directors (**Resolution 4 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

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

- (a) the proxy is either:
    - (i) a member of the Key Management Personnel; or
    - (ii) a Closely Related Party of such a member; and
  - (b) the appointment does not specify the way the proxy is to vote on this Resolution.
- Provided the Chair is not a Resolution 4 Excluded Party, the above prohibition does not apply if:
- (a) the proxy is the Chair; and
  - (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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5. **RESOLUTION 5 – ISSUE OF SHARES TO RELATED PARTY – MR DAVID RICHARDSON**

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

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 4,480,000 Shares to Mr David Richardson (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr David Richardson (or his nominee) and any of his associates (**Resolution 5 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

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

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 5 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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6. **RESOLUTION 6 – ISSUE OF SHARES TO RELATED PARTY – MR DAVID BERRIE**

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

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,360,000 Shares to Mr David Berrie (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr David Berrie (or his nominee) and any of his associates (**Resolution 6 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

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

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 6 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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## 7. RESOLUTION 7 – ISSUE OF SHARES TO GOLD FIELDS AUSTRALIA PTY LIMITED

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

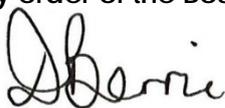
*"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 1,600,000 Shares to Gold Fields Australia Pty Limited on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by Gold Fields Australia Pty Ltd and any of its associates.

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**Dated: 13 September 2019**

**By order of the Board**



**David Berrie**

**Company Secretary**

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### **Voting in person**

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

### **Voting by proxy**

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

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

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

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

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

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 (08) 9322 6009.***

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## EXPLANATORY STATEMENT

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

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### 1. RESOLUTION 1 – APPROVAL FOR AN EQUAL REDUCTION OF CAPITAL AND IN-SPECIE DISTRIBUTION

#### 1.1 Company Background

The Company is a gold and copper exploration company (with interests in other base metals) with corporate offices in Perth and a fully operational exploration office in Orange, New South Wales.

On 28 October 2016, the Company was incorporated as a public company limited by Shares. In May 2017 the Company was admitted to the official list of following an initial public offer to provide funding for 4 gold and copper exploration projects in New South Wales.

In March 2018, the Company acquired two additional gold and copper-nickel-cobalt exploration projects located in Western Australia.

#### 1.2 Background on Existing Assets and Company Activities

##### *East Lachlan, NSW Exploration Projects*

In 2015, the Company's 100% owned subsidiary, Modeling Resources Pty Ltd (ACN 169 211 876) (**Modeling**) acquired 4 copper/gold porphyry, gold and base metals projects in East Lachlan, New South Wales, from Gold Fields Limited (**NSW Assets**). These are summarised as follows:

	Project Name	Holding	Tenements	Area
1.	Myall Gold-Copper Project	Modeling – 100%	Exploration Licence EL 6913	243 km <sup>2</sup>
2.	Parkes Copper-Gold & Gold Project	Modeling – 100% / Japan Oil, Gas and Metals National Corporation ( <b>JOGMEC</b> ) earning 51%	EL 7676; and EL 7424	151 km <sup>2</sup>
3.	Wellington North Gold and Copper-Gold Project	Modeling – 100%	EL 6178; EL 7440; and EL 8357	176 km <sup>2</sup>
4.	Moorefield Gold and Base Metals Project	Modeling – 100%	EL 7675; and EL 8669	483 km <sup>2</sup>

The Company's initial strategy was to focus exploration on near surface gold targets at the Wellington North, Moorefield and Parks JV projects, and to identify JV partners for the larger copper-gold porphyry targets at the Myall and Wellington North Projects. Recent exploration focus has been on the Parkes JV Project with JOGMEC where the Company has completed 2 drilling programs.

### **East Laverton, Western Australia Exploration Projects**

In March 2018, the Company added to its existing portfolio of exploration assets through the acquisition of 2 strategic Western Australia projects located approximately 150km east of Laverton (**WA Assets**). These are summarised as follows:

	<b>Project Name</b>	<b>Holding</b>	<b>Tenements</b>	<b>Area</b>
1.	Yamarna Gold Project	Landslide Investments Pty Ltd – 100%  Modeling – 100%	Exploration Licence E38/2918  Exploration Licences E38/3327; E38/3351; and E38/3312	355 km <sup>2</sup> (includes ELAs)
2.	Mt. Venn Copper-Nickel-Cobalt Project	Magmatic – 100% <sup>1</sup>	E38/2961	60 km <sup>2</sup>

**Notes:**

1. E38/2961 is held by Element 25 Limited, pending registration of transfer.

The Yamarna Gold Project was acquired by the purchase of 100% of the issued share capital of Landslide Investments Pty Ltd (holder of E38/2918) on 23 March 2018. Completion of the acquisition of Exploration Licence E38/2961 in respect of the Mt. Venn Project was announced to ASX on 8 May 2018.

The acquisition of the East Laverton, Western Australia projects demonstrated a clear and defined strategy by the Company to continue to develop its portfolio of prospective exploration assets focused principally on gold and copper.

The Company completed a reconnaissance field program at Mt. Venn in late October 2018, completing initial soil and rock chip sampling, which confirmed that EM anomalies are obscured by shallow cover. These targets are now prioritised for drilling.

Additionally, the Company identified an untested anomaly on open ground immediately north of Mt. Venn and applied for a new exploration licences.

### **1.3 Overview of the Proposal**

After a detailed review of existing operations in the context of its broader corporate strategy, the Company proposes a demerger of its NSW Assets and acquisition of additional gold and gold/copper assets in Western Australia to complement its existing Western Australia projects (**Proposal**).

Magmatic is proposing to undertake the demerger of the shares held by the Company in Australian Gold and Copper Ltd, which owns 100% of the shares in Modeling, holder of the NSW Assets (**Spin-out**).

Contemporaneously with the proposed Spin-out, Magmatic is seeking to acquire gold and gold/copper exploration projects, the consideration for which includes the issue of shares in the Company.

### **Acquisition**

As announced on 7 June 2019, the Company has entered into share purchase agreements to acquire 100% of the issued capital of 3 proprietary limited companies, holding interests in WA gold and copper exploration projects as follows (**New WA Assets**):

<b>Company</b>	<b>Project</b>	<b>Tenements</b>
Kokoda Exploration Pty Ltd (ACN 626 595 784)	Calyerup Project	E70/4998 (100%)
Ashburton Metals Group Pty Ltd (ACN 611 122 251)	Ashburton Project	E08/2913 (100%) E08/2883 <sup>1</sup> (100%)
North Iron Cap Pty Ltd (ACN 633 482 774)	North Ironcap Project <sup>2,3</sup>	M77/544 <sup>4</sup> (Gold Rights)

#### **Notes:**

1. As at the date of this Notice, purchase of E08/2883 by Ashburton Metals Group Pty Ltd is pending completion
2. North Iron Cap Pty Ltd has agreed to apply for a miscellaneous licence over M77/544 to provide road haulage access
3. It has been agreed that Miscellaneous Licence 77/293, held by Mt Holland Mining Co Pty Ltd which is connected to this Project will be transferred to the Company
4. M77/544 is held by Western Areas Nickel Pty Ltd. North Iron Cap Pty Ltd holds the gold rights over M77/544

Further details on the acquisition of the New WA Assets is set out in section 2.2 below. Completion under each of the SPA's is conditional upon the approval of the Spin-out, the subject of Resolution 1.

### **Spin-out**

It is proposed that the Spin-out will occur by AGC (currently 100% owned by the Company) first acquiring Modeling in consideration for the issue of 117,242,567 shares in AGC. Magmatic will then distribute and transfer 117,242,568 shares in AGC (**AGC Shares**) in specie to Magmatic Shareholders on a pro-rata basis (**In-specie Distribution**).

The In-specie Distribution will only proceed if the following conditions are satisfied (together, the **In-specie Conditions**):

- (a) Magmatic obtains Shareholder approval for an equal reduction of capital by Magmatic under sections 256B and 256C of the Corporations Act by way of an in-specie distribution of shares (the subject of Resolution 1); and
- (b) Magmatic obtains Shareholder approval to issue Magmatic Shares in consideration for the acquisition of the New WA Assets under the share purchase agreements (the subject of Resolution 2).

Should the In-specie Conditions be satisfied, the In-specie Distribution will be effected by an equal reduction of Magmatic's capital on a pro rata basis. Magmatic

Shareholders will receive an in specie return of capital by way of the distribution of AGC Shares in proportion to the number of Magmatic Shares held by them at the Record Date. Magmatic Shareholders will thereby retain direct ownership of Magmatic. Magmatic Shareholders will also receive a direct ownership interest in AGC (which will hold 100% of the issued shares of Modeling). Structure diagrams of the proposed arrangements immediately before and after the Spin-out are set out below.

For further information on the taxation implications for Shareholders including the availability of demerger tax relief for income tax purposes, please refer to Section 1.22 below for further details.

The Company's primary purpose in undertaking the Proposal is to separate the NSW Assets from its other assets. Specifically, the Proposal is being undertaken to achieve the following commercial objectives:

- (a) to create a separate unlisted entity (AGC) to focus on the future development of the NSW Assets, pursuing joint venture arrangements for funding in addition to the JOGMEC joint venture already in place;
- (b) to enable AGC to take a longer-term view of the NSW copper-gold-porphyry projects which are:
  - (i) focussed on finding and developing large-scale copper-gold-porphyry projects; and
  - (ii) require significant capital expenditure over the medium to long term;
- (c) to provide separate holding structure and funding channels, thereby allowing the Company to conserve its cash resources for undertaking activities connected with the WA Assets and New WA Assets and also enabling each separate entity to achieve a funding profile more attuned to the stage of development of its respective assets; and
- (d) to make it easier to raise equity to fund the WA Assets and New WA Assets.

The Spin-out is also considered to be an opportunity for Shareholders to realise maximum value by the Company adding complementary gold and copper assets in Western Australia to the existing WA Assets and incubating the NSW Assets into a dedicated unlisted company, AGC. The Board believes that the time has come to separate and transfer these quality projects into an independent company with specific commodity and management focus.

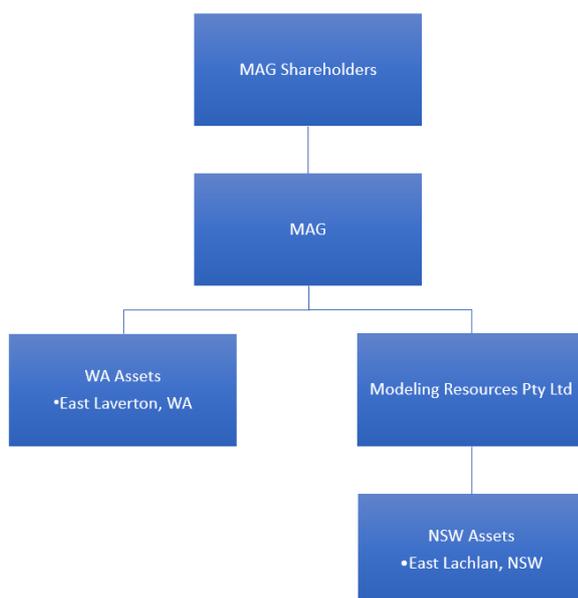
Assuming the Company proceeds with the Proposal, it is intended that Modeling will continue be funded by existing joint venture arrangements.

As well as the commercial objectives outlined above, and assuming the Company proceeds with the Proposal, it is expected the Proposal will also:

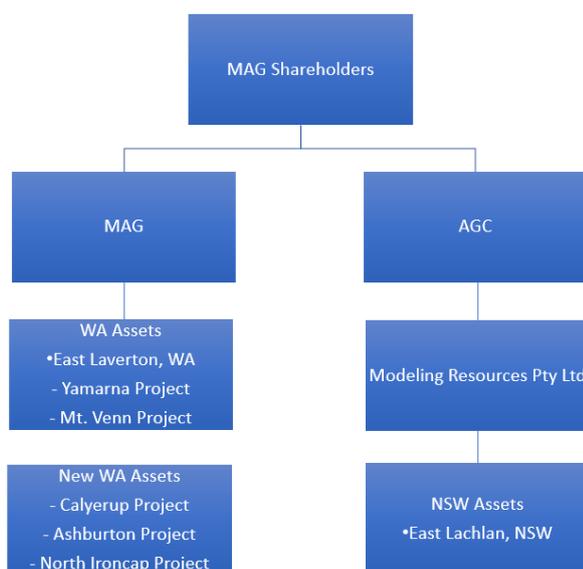
- (a) help Magmatic to unlock value for Magmatic Shareholders, which is not considered to be currently reflected in the Magmatic Share price;
- (b) reduce the diversity of Magmatic's assets; and
- (c) give Shareholders exposure to 3 nearer term-focus gold projects and maintain their exposure to the NSW porphyry copper-gold projects via the same shareholding in the newly formed AGC.

In the event that Resolutions 1 and 2 are passed and the Company proceeds with the Proposal and the In-specie Conditions are satisfied, the restructure of Magmatic and AGC will occur as follows assuming completion of the In-specie Distribution:

### Current Structure



### Structure post implementation of the Proposal



#### 1.4 Information on AGC

AGC was incorporated on 5 June 2019, for the purpose of acquiring the NSW Assets prior to the Spin-Out.

#### 1.5 Proposed Project Development Plan for NSW Assets

The NSW Assets that AGC will own are copper-gold porphyry projects, which by nature have the potential to be very large projects. Therefore, they require significant medium to long term investment in exploration, and if developed would likely have significant development costs.

Accordingly, the Company's strategy will be on seeking joint venture partners who have the financial and technical capacity to advance these projects and also the ability to be long term focussed.

## 1.6 Capital Reduction – General

The Company seeks Shareholder approval under Resolution 1 to enable it to reduce its capital by the distribution of specific assets to Shareholders, being the 117,242,568 AGC Shares.

The Corporations Act and the ASX Listing Rules set out the procedure and timing for a capital reduction. Refer to Table 1 below for an indicative timetable in respect of the Spin-out.

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

If the Capital Reduction proceeds, Shareholders will receive a pro rata entitlement to the AGC Shares and each Shareholder's name will be entered on the register of members of AGC and each Magmatic Shareholder having deemed to have consented to becoming a AGC Shareholder and being bound by its constitution.

**Table 1 – Indicative timetable**

Event	Date
General Meeting to approve the In-specie Distribution of AGC Shares.	15 October 2019
ASX informed of Shareholder approval	15 October 2019
Spin-out Record Date*	17 October 2019
In-specie Distribution to Shareholders of AGC Shares*	18 October 2019

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

## 1.7 Pro-forma financial position of Magmatic and AGC upon completion of the Proposal

Set out in Schedule 2 is the statement of financial position of the Company as at 31 December 2018 together with the unaudited pro-forma statement of financial position of the Company following completion of the Proposal.

It is the Company's intention as at the date of this Notice of Meeting to undertake an interim capital raising by way of a placement to sophisticated investors on terms to be confirmed. The pro-forma adjustments include a provision for the proceeds received from this capital raising.

A pro-forma statement of financial position of AGC, reflecting the proposed balance sheet of AGC following completion of the Proposal is also set out in Schedule 2.

## 1.8 Advantages and Disadvantages of the Proposal (assuming completion of the Spin-out and In-specie Distribution):

### (a) Advantages

- (i) All Shareholders will retain an interest in the NSW Assets through their individual pro-rata shareholdings in AGC.

- (ii) All Shareholders will retain their current percentage ownership interest in the capital of Magmatic.
  - (iii) To provide separate holding structure and funding channels, thereby allowing the Company to conserve its cash resources for undertaking activities connected with the WA Assets and New WA Assets and also enabling each separate entity to achieve a funding profile more attuned to the stage of development of its respective assets.
  - (iv) To make it easier to raise equity to fund the WA Assets and New WA Assets.
- (b) **Disadvantages**
- (i) Shareholders will receive shares in AGC which is an unlisted public company. The AGC Shares will not trade on ASX or any other market exchange, and therefore there will be a less liquid market for the AGC Shares.
  - (ii) The Proposal requires 2 separate companies, management structures and funding.
  - (iii) There is no guarantee that the AGC Shares will rise in value.
  - (iv) There may be a taxation consequence in respect of the distribution of the AGC Shares to the Shareholders.

## 1.9 Failure to achieve completion of the Proposal

Failure to achieve completion of the Proposal may result in the Company needed to raise significant capital to fund its ongoing exploration and operations. This may make it difficult to advance both its WA Assets and NSW Assets and the Company would need to consider a potential divestment of its less advanced WA projects.

## 1.10 AGC Structure and Board

The AGC Board of Directors presently comprises:

### **Mr David Berrie, LLB** *Non-Executive Chairman*

Mr Berrie has over 30 years' experience in the mining industry. Mr Berrie worked as a solicitor in the mining team at Clayton Utz before joining the international mining house Western Mining Corporation in 1987 with much of that time spent in the exploration division before transitioning over to BHP Billiton. Mr Berrie has extensive public company experience. Mr Berrie has a Bachelor of Laws and a Bachelor of Juris prudence from the University of Western Australia.

### **Mr David Richardson, B. Comm MBA** *Managing Director*

Mr Richardson has extensive international experience and held senior management positions in major companies such as Pacific Dunlop and Amcor. He has over 10 years of venture capital experience and founded Magmatic Resources Limited (Modeling Resources) in 2013 and led the Company to its initial public offer in 1997. He has lived and worked in Asia for over 20 years and speaks fluent Japanese. Mr Richardson holds a Masters of Business Administration from the University of Southern California in Los Angeles and undertook post graduate Japanese studies at Keio University in Tokyo.

## **Mr Malcolm Norris, MSC, MAppFin *Non-Executive Director***

Mr Norris is a geologist with extensive experience in business management, asset transactions and exploration with a focus on porphyry discovery. He is currently the managing director of Sunstone Metals Limited (ASX: STM). Previously chief executive officer and managing director of SolGoldPlc, Mr Norris holds a Bachelor of Science (Geology, Hons 1) from the University of Queensland, a Master of Science from the University of Western Ontario and a Master of Applied Finance (Kaplan).

### **1.11 Disclosure to ASX**

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

### **1.12 Risk Factors**

On successful completion of the Proposal, Shareholders will become shareholders in AGC and should be aware of the general and specific risk factors which may affect AGC and the value of its securities. These risk factors are set out in Schedule 3. The risk factors have been reviewed by each of the boards of directors of the Company and AGC and are considered applicable.

### **1.13 Effect of Proposed Capital Reduction on the Company**

A pro-forma statement of financial position of Magmatic is contained in Schedule 2 which shows the financial impact of the Capital Reduction and the Proposal on the Company. Furthermore, the Company, being an ASX listed entity, is subject to the continuous disclosure requirements set out in Chapter 3 of the ASX Listing Rules. As such, the Company is required to lodge quarterly accounts detailing the Company's current financial position. Any use of funds by the Company will be detailed in these quarterly reports and any significant transactions will be disclosed to Shareholders.

### **1.14 Director's Interests and Recommendations**

The tables below set out the number of securities in Magmatic held by the Directors at the date of the Notice and the number of securities in Magmatic AGC Shares they are likely to have an interest in following implementation of the Proposal and In-Specie Distribution (and the issue of all other securities assuming all Resolutions are passed):

#### ***Security holdings as at the date of this Notice***

<b>Director</b>	<b>Magmatic Shares</b>	<b>Options</b>
David Berrie	12,669,044 <sup>1</sup>	Nil
David Richardson	37,962,571 <sup>2</sup>	5,121,875 <sup>3</sup>
Malcolm Norris	Nil	750,000 <sup>4</sup>
Andy Viner	40,000 <sup>5</sup>	20,000 <sup>6</sup>

#### **Notes:**

1. Shares are held by Davthea Pty Ltd <David Berrie Superfund>
2. 32,188,823 Shares are held by Bilingual Software Pty Ltd <Let's Go Investment A/C>, an entity controlled by David Richardson and 5,773,748 Shares are held by D&R Richardson <Superfund A/C>

3. 121,875 listed options exercisable at \$0.30 on or before 17 May 2020 and 5,000,000 listed options exercisable at \$0.10 on or before 30 August 2021 are held by D&R Richardson <Superfund A/C>
4. Unlisted options exercisable at \$0.30 on or before 17 May 2020
5. 30,000 Shares are held by Western Discovery Pty Ltd <Viner Super Fund A/C>
6. 15,000 listed options exercisable at \$0.30 on or before 17 May 2020 are held by Western Discovery Pty Ltd <Viner Super Fund A/C>

**Security holdings following In-specie Distribution (and the issue of all other securities assuming all Resolutions are passed)**

Director	Magmatic Shares	Options	Approximate Number of AGC Shares each Director will receive
David Berrie	14,029,044 <sup>1</sup>	Nil	12,669,044
David Richardson	42,442,571 <sup>2</sup>	5,121,875	37,962,571
Malcolm Norris	Nil	750,000	Nil
Andy Viner	40,000	2,520,000 <sup>3</sup>	40,000

**Notes:**

1. The Company is seeking Shareholder approval under Resolution 6 for the issue of 1,360,000 Shares to David Berrie
2. The Company is seeking Shareholder approval under Resolution 5 for the issue of 4,480,000 Shares to David Richardson
3. The Company is seeking Shareholder approval under Resolution 4 for the issue of 2,500,000 Options to Andy Viner

After considering all relevant factors, the Directors recommend the Company's Shareholders vote in favour of Resolution 1 for the reasons summarised in Sections 1.3 and 1.8 of this Explanatory Statement.

## 1.15 Effect of Proposed Capital Reduction on Shareholders in Magmatic

### **What will you receive?**

If the Proposal is implemented, Eligible Shareholders will receive an in specie return of capital by way of the distribution of AGC Shares in proportion to the number of Magmatic Shares held by them at the Record Date.

Shareholders are not required to contribute any payment for the AGC Shares which they are entitled to receive under the Proposal.

### **What is the impact on your shareholding in the Company?**

The number of Shares in the Company that you hold will not change as a result of the Proposal.

If the Proposal is implemented, the value of your Magmatic Shares may be less than the value held prior to the Proposal being implemented due to the removal of the NSW Assets from the Company's asset portfolio. The size of any decrease cannot be predicted and will be dependent on the value ascribed to the NSW Assets.

### **Do you have to do anything to receive your AGC Shares?**

You must hold Magmatic Shares on the Record Date in order to receive your entitlement of AGC Shares pursuant to the In-specie Distribution. If the Proposal

proceeds, you will automatically receive the AGC Shares you are entitled to receive (unless you are an ineligible overseas Shareholder, in which case you will receive the proceeds), even if you vote against the Proposal or do not vote at all.

***Will you be able to trade your AGC Shares?***

The AGC shares will not publicly listed, so you will not be able to trade your AGC Shares on ASX or any other market exchange.

***What are the taxation implications of the Proposal?***

A general guide to the taxation implications of the Proposal is set out in Section 1.22 of this Explanatory Statement. The description is expressed in terms of the Proposal and is not intended to provide taxation advice in respect of particular circumstances of any Shareholder. **Shareholders should obtain professional advice as to the taxation consequences of the Proposal in their specific circumstances.**

***What will happen if Resolution 1 or Resolution 2 is not approved?***

Resolution 1 is conditional on Resolution 2 being passed. Resolution 2 is conditional on Resolution 1 being passed. In the event that Shareholder approval of either Resolution 1 or Resolution 2 is not obtained, the Proposal will not proceed and the distribution of AGC Shares to Magmatic Shareholders will not occur.

**1.16 Additional important information for Magmatic Shareholders**

(a) The capital structure of Magmatic as at the date of this Notice is:

Number of Shares	Number of Quoted Options	Number of Unquoted Options
117,242,568	44,089,754 <sup>1</sup>	5,250,000 <sup>2</sup>

**Notes:**

1. Consisting of 17,230,613 Options exercisable at \$0.30 on or before 17 May 2020 and 26,859,141 Options exercisable at \$0.10 on or before 30 August 2021.
2. Consisting of 750,000 Options exercisable at \$0.30 on or before 17 May 2020, 2,500,000 Options exercisable at a price which is the greater of \$0.20 or a 5% discount to the 20-day volume weighted average price of shares on ASX and expiring on 11 May 2020 and 2,000,000 Options exercisable at \$0.03 and expiring on 29 May 2024.

(b) The proposed capital structure of AGC post completion of the Proposal:

Type of security	Number	%
<b>Fully paid ordinary shares</b>		
Magmatic Shareholders	117,242,568	100%

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

(c) 117,242,568 AGC Shares will be distributed on a pro-rata basis to all holders of ordinary shares in the capital of the Company on the Record Date (**Return Shares**) based on the number of Magmatic Shares held by such holders at the Record Date. Due to the outstanding Options on issue in

Magmatic and also because of the potential future issue of Shares by the Company before the Record Date, it is not clear at the date of this Notice exactly how many Magmatic Shares will be on issue at the Record Date nor therefore what the exact ratio for the In-specie Distribution will be.

At the date of this Notice, there are 117,242,568 Shares on issue in the Company. Assuming this same number of Shares was on issue at the Record Date, the formula for the In-specie Distribution would be approximately 1 AGC Share for every 1 Magmatic Share held. Any fractions of entitlement will be rounded down to the next whole number.

- (d) The return of capital will be effected by a pro-rata distribution of the Return Shares in specie proportionately to all of the Company's Shareholders:
- (i) registered as such as at 5.00pm (WST) on the Record Date; or
  - (ii) entitled to be registered as a Shareholder in the Company by virtue of a transfer of Shares executed before 5.00pm (WST) on the Record Date and lodged with the Company at that time.

### 1.17 Information concerning Magmatic Shares

The rights attaching to the Shares in Magmatic will not alter.

For the information of Shareholders, the highest and lowest recorded sale prices of the Company's Shares as traded on ASX during the 12 months immediately preceding the date of this Explanatory Statement, and the respective dates of those sales were:

Date	Highest Price	Date	Lowest Price
10 September 2019	\$0.055	11 July 2019; 29 August 2019; and 4 September 2019	\$0.016

The latest available closing price of the Magmatic Shares on ASX prior to the date of this Notice was \$0.038 on 12 September 2019.

### 1.18 Section 256C of the Corporations Act

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

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

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

The Directors believe that the Proposal is fair and reasonable to Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors. This is because each Magmatic Shareholder is treated equally and in the same manner since the terms of the reduction of capital are the same for each Magmatic Shareholder. The In-specie Distribution is on a pro rata basis, and the proportionate

ownership interest of each Magmatic Shareholder remains the same before and after the Proposal.

In accordance with the Corporations Act:

- (a) the proposed reduction is an equal reduction and requires approval by an ordinary resolution passed at a general meeting of Magmatic Shareholders;
- (b) this Explanatory Statement and accompanying Prospectus and previous ASX announcements set out all information known to Magmatic that is material to the decision on how to vote on Resolution 1; and
- (c) Magmatic has lodged with ASIC a copy of this Notice of Meeting and accompanying Prospectus.

#### **1.19 ASX Listing Rule 7.17**

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

#### **1.20 Effect of Shareholder approval**

##### **(a) General**

If Resolution 1 is approved, Magmatic Shareholders (as at the Record Date) will receive a pro rata beneficial entitlement to AGC Shares based on the number of Magmatic Shares held at the Record Date. The reduction in Magmatic's capital and the transfer and distribution of AGC Shares will become effective from the Record Date (provided that after the Record Date has been set the In-specie Conditions have been satisfied and the Directors have not provided a notice to ASX stating that the Company does not intend to proceed with the reduction of capital contemplated by Resolution 1). Any fractions of entitlement will be rounded down to the next whole number. Shares in AGC are to be held subject to its constitution which is in standard form.

The actual dollar value of the proposed return of capital will be an amount equal to the value of the AGC Shares transferred and distributed to be assessed by the Directors. Please refer to Schedule 2 for the pro-forma statements of financial position of both Magmatic and AGC which show the expected financial impact of the Proposal.

The Board considers the proposed reduction of capital will have no material effect on the interests of Magmatic Shareholders, except as disclosed in the discussion of the advantages and disadvantages of the reduction set out in Section 1.8 above.

##### **(b) Overseas Magmatic Shareholders**

The In-specie Distribution of the AGC Shares to overseas Magmatic Shareholders under the reduction of capital will be subject to legal and regulatory requirements in their relevant overseas jurisdictions. If the

requirements of any jurisdiction where a Magmatic Shareholder is resident are held to restrict or prohibit the distribution of securities as proposed or would impose on Magmatic an obligation to prepare a prospectus or other similar disclosure document or otherwise impose on Magmatic an undue burden, the AGC Shares to which the relevant Magmatic Shareholder is entitled will not in fact be issued to such Shareholders and instead will be sold by Magmatic on their behalf, in order that Magmatic will pay the relevant Shareholder a cash equivalent amount, or otherwise Magmatic will seek to make alternative arrangements with respect to the relevant Shareholder which are reasonable in all the circumstances.

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

(c) **Effect of In-specie Distribution on existing Options**

In accordance with the terms of issue of each of the existing Options in Magmatic outstanding as at the date Resolution 1 is passed and in accordance with ASX Listing Rule 7.22.3, the exercise price of each such outstanding Option in Magmatic will be automatically reduced by the same amount as the amount returned in relation to each Magmatic Share. There will be no early lapsing of any existing Magmatic Options for any Magmatic employee or director who holds such Options and who becomes employed by AGC in lieu of Magmatic.

## 1.21 **Information concerning AGC Shares**

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

(a) **General Meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend Rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividends, the Directors may declare a dividend in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may from time to time pay to shareholders any interim dividend that they may determine. Subject to the rights of any preference shareholders and to the rights of the holders of any shares credited or raised under any special arrangement as to the dividend, the dividend as declared shall be payable proportionately according to the amounts paid up or credited as paid up, on the Shares, and otherwise in accordance with Part 2H.5 of the Corporations Act. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up

may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

## 1.22 Taxation

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

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

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

As taxation consequences vary depending on the individual circumstances of each Eligible Shareholder, the Directors recommend that each Eligible Shareholder obtains professional advice in relation to the taxation consequences of the Capital Reduction for the Eligible Shareholder, including the applicability and effect of local and foreign income and other tax laws in their particular circumstances.

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

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

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

These comments do not apply to:

- (a) Eligible Shareholders who hold their Magmatic Shares as trading stock, under an employee share plan, as a financial arrangement, as revenue assets or otherwise on revenue account; and
- (b) Eligible Shareholders who are not individual or corporate Australian tax resident Shareholders.

It is noted that at the date of this Explanatory Statement, the Company has neither sought nor will seek a Class Ruling from the Australian Taxation Office to confirm the taxation implications of the demerger of AGC from the Magmatic Group, nor the availability of demerger relief to the Shareholders. Furthermore, the following summary has been based on the following assumptions:

- (a) Demerger tax relief under Division 125 of the *Income Tax Assessment Act 1997 (ITAA 1997)* and the non-application of the integrity rule in section 45B of the *Income Tax Assessment Act 1936 (ITAA 1936)* (Section 45B) will not be available to Participating Shareholders in respect to the demerger of AGC and the In-specie Distribution of AGC Shares to the Shareholders.
- (b) The NSW assets held by Modeling have no value. In accordance with the Proforma Consolidated Statement of Financial Position, the indicative value of the net assets of AGC (together with its subsidiary, Modeling) is \$93,580.

The Australian taxation consequences to Participating Shareholders who hold Shares in Magmatic as a result of the return of capital via the In-specie Distribution of AGC Shares, may in general terms be summarised as follows:

- (a) The return of capital is to be made from Magmatic's share capital account. It is currently estimated that the return will be \$0.000798 per Share. Accordingly, the return of capital should not be considered to be an assessable dividend.
- (b) The consideration received on the return of capital will be treated as a reduction in the cost base or reduced cost base of your Shares in Magmatic.
- (c) In the event that the value of the AGC Shares exceeds the cost base of your Shares in Magmatic, an assessable capital gain will arise.
- (d) However, in some instances, a return of capital in the context of a demerger, may constitute a deemed unfranked dividend if the Commissioner of Taxation forms the opinion that sections 45B and 45BA of the ITAA 1936 apply.
- (e) Section 45B of the ITAA 1936 is an anti-avoidance provision which if applicable allows the Commissioner to make a determination that all or part of a return of capital to be received by shareholders is to be treated as an unfranked dividend. Broadly, the provision applies if:
  - (i) there is a scheme under which a person is provided with a demerger benefit or capital benefit by the company;
  - (ii) under the scheme a taxpayer, who may or may not be the person provided with the demerger benefit or capital benefit, obtains a tax benefit; and
  - (iii) having regard to the relevant circumstances of the scheme, it would be concluded that the person, or one of the persons, who entered into or carried out the scheme or any part of the scheme did so for a purpose (whether or not the dominant purpose but not including an incidental purpose) of enabling a taxpayer to obtain a tax benefit.
- (f) Where, having regard to the relevant circumstances of the scheme to return capital to the Participating Shareholders, it cannot be concluded that the scheme was entered into or carried out for more than the incidental purpose of enabling the Participating Shareholders to obtain a tax benefit, the Commissioner is unlikely to make a determination under subsection 45B(3) that section 45C applies to the return of the capital.
- (g) Where the Commissioner does make a determination 45B(3) that section 45C applies to the return of the capital, the capital benefit will be taken to

be an unfranked dividend that is paid by Magmatic to a Magmatic Shareholder at the time that the Magmatic Shareholder was provided with the capital benefit. Such an amount would be included in the assessable income of the Magmatic Shareholder.

- (h) The AGC Shares received by Magmatic Shareholders will be taken to have been acquired at the time of the In-Specie Distribution of the AGC Shares is made to the Magmatic Shareholders by Magmatic.
- (i) The cost base and reduced cost base of the AGC Shares at the date of the transfer are required to be apportioned in accordance with the market values (or a reasonable approximation thereof) of Magmatic and AGC. In accordance with the Proforma Consolidated Statement of Financial Position, the indicative apportionment of the cost base would be 47.22% to the shares in AGC and 52.78% to the shares in Magmatic.

### **1.23 Taxation implications for the Company**

The transfer of AGC Shares from Magmatic to the Magmatic Shareholders in respect of the Capital Reduction is not expected to have any CGT implications for Magmatic where Demerger Relief is available.

The transfer of the AGC Shares from Magmatic to the Magmatic Shareholders in respect of the Capital Reduction will be considered to be a disposal event for capital gains tax purposes.

To the extent that a demerger happens to the Magmatic Group under section 125-70 of the ITAA 1997, any capital gain or loss arising for Magmatic from the disposal or cancellation of the AGC shares under the In-Specie Distribution will be disregarded for income tax purposes.

### **1.24 Lodgement with the ASIC**

The Company has lodged with the ASIC a copy of this Notice and Explanatory Statement in accordance with Section 256C(5) of the Corporations Act. The ASIC and its officers take no responsibility for the contents of this Notice or the merits of the transaction to which this Notice relates.

If Resolution 1 is passed, the reduction of capital is required to take effect in accordance with a timetable approved by ASX. Please refer to section 1.6 above for the proposed indicative timetable for completion of the Proposal, which is subject to change by the Company and any requirements of the ASX Listing Rules and the Corporations Act.

### **1.25 Other Material Information**

There is no information material to the making of a decision by a Shareholder in the Company whether or not to approve Resolution 1 (being information that is known to any of the Directors and which has not been previously disclosed to Shareholders in the Company) other than as disclosed in this Explanatory Statement and all relevant Schedules.

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## **2. RESOLUTION 2 – APPROVAL OF ISSUE OF NEW SHARES TO THE VENDOR SHAREHOLDERS**

### **2.1 Background**

As announced to ASX on 7 June 2019, the Company has entered into share purchase agreements (**SPAs**) to acquire 100% of the issued capital of 3 proprietary

limited companies, holding interests in WA gold and copper exploration projects as follows:

Company	Project	Shareholders	Consideration
Ashburton Metals Group Pty Ltd	Ashburton Project E08/2913 (100%) E08/2883 <sup>1</sup> (100%)	Fay Holdings Pty Ltd (controlled by Anthony Short) Clutch Group Pty Ltd (controlled by Steven Parnell) VF17S Pty Ltd (controlled by Hong-Jim Saw) Peter Main Hong-Jim Saw Belinda McLeod Robert Jewson Michael Gill Anthony Short	- 44,824,366 Magmatic Shares at a deemed issue price of \$0.03 - \$55,000 cash
North Iron Cap Pty Ltd	North Ironcap Project M77/544 <sup>2</sup> (Gold Rights)	Steven Parnell	- 57,833,333 Magmatic Shares at a deemed issue price of \$0.03 - \$115,000 cash
Kokoda Exploration Pty Ltd	Calyerup Project E70/4998 (100%)	Bruce Strapp Nicola Gill	- 25,000,000 Magmatic Shares at a deemed issue price of \$0.03
<b>Total</b>			- <b>127,657,700 Magmatic Shares at a deemed issue price of \$0.03</b> - <b>\$170,000 cash</b>

Completion under the SPAs is conditional upon Shareholder approval of the following:

- (a) an equal reduction of capital by Magmatic under sections 256B and 256C of the Corporations Act by way of an in-specie distribution of shares (the subject of Resolution 1); and

<sup>1</sup> As at the date of this Notice, purchase of E08/2883 by Ashburton Metals Group Pty Ltd is pending completion

<sup>2</sup> M77/544 is held by Western Areas Nickel Pty Ltd. North Iron Cap Pty Ltd holds the gold rights over M77/544.

- (b) the issue of Magmatic Shares in consideration for the acquisition of the New WA Assets under the SPAs (the subject of this Resolution 2).

The SPAs otherwise contain terms and conditions considered standard for agreements of this nature (including, without limitation, representations and warranties).

## 2.2 General

Resolution 2 seeks Shareholder approval for the purpose of Item 7 of Section 611 of the Corporations Act to allow the Company to issue a total of 127,657,699 Shares (**New Shares**) to the shareholders of Ashburton Metals Group Pty Ltd (**Ashburton Metals Group**), North Iron Cap Pty Ltd (**North Iron Cap**) and Kokoda Exploration Pty Ltd (**Kokoda**) (together, the **Vendor Shareholders**), in part consideration for the acquisition of Ashburton Metals Group and North Iron Cap, as follows:

- (a) 44,824,366 Shares at a deemed issue price of \$0.03 to the shareholders of Ashburton Metals Group;
- (b) 57,833,333 Shares at a deemed issue price of \$0.03 to the shareholders of North Iron Cap; and
- (c) 25,000,000 Shares at a deemed issue price of \$0.03 to the shareholders of Kokoda.

North Iron Cap is an entity controlled by Steven Parnell. The shareholders of each of Ashburton Metals Group and Kokoda are set out in the table in Section 2.1 above. Clutch Group Pty Ltd, an entity controlled by Steven Parnell, holds approximately 36% of the issued capital of Ashburton Metals Group Pty Ltd. Subject to completion under the SPAs, Steven Parnell (either directly or through an entity he controls) would receive a total of 73,843,316 New Shares.

The issue of the New Shares to the Vendor Shareholders, when aggregated with the existing Shares held by Steven Parnell, will result in Steven Parnell and his associates' voting power in the Company increasing from 0.085% up to 52.15%.

Pursuant to ASX Listing Rule 7.2 (Exception 16), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 2, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

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

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

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company or an unlisted company with more than 50 members if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

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

(Prohibition).

(b) **Voting Power**

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

(c) **Associates**

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

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

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

(d) **Relevant Interests**

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

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

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

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

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

The Corporations Act defines "control" and "relevant agreement" very broadly as follows:

- (i) Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company.
- (ii) Under section 9 of the Corporations Act, a relevant agreement includes an agreement, arrangement or understanding whether written or oral, formal or informal and whether or not having legal or equitable force.

(e) **Associates' of Steven Parnell**

For the purposes of the Corporations Act, the following persons are deemed to be associates of Steven Parnell, a Vendor Shareholder (**Associates**):

- (i) the other shareholders of Ashburton Metals Group, being Fay Holdings Pty Ltd (an entity controlled by Anthony Short), VF17S Pty Ltd (an entity controlled by Hong-Jim Saw), Peter Main, Hong-Jim Saw, Belinda McLeod, Robert Jewson, Michael Gill and Anthony Short, by virtue of the aforementioned persons acting or proposing to act, in concert in relation to the Company's affairs; and
- (ii) the shareholders of Kokoda, being Bruce Strapp and Nicola Gill, by virtue of the aforementioned persons acting or proposing to act, in concert in relation to the Company's affairs.

## 2.4 Reason Section 611 Approval is Required

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

Following the issue of the New Shares to the Vendor Shareholders, Steven Parnell will have a relevant interest in 73,843,316 Shares in the Company and a 52.15% voting power in the Company. This assumes that no other Shares are issued and no Options are exercised.

Accordingly, Resolution 2 seeks Shareholder approval for the purpose of Section 611 Item 7 and all other purposes to enable the Company to issue the New Shares to the Vendor Shareholders.

Shareholder approval is required to enable the Associates to acquire a relevant interest in the New Shares as their voting power in the Company would also increase above 20%.

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

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for item 7 of section 611 of the Corporations Act. Shareholders are also referred to the

Independent Expert's Report prepared by Elderton Capital Pty Ltd annexed to this Explanatory Statement.

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

It is proposed that the Vendor Shareholders will be issued the New Shares in accordance with the terms of the SPAs as set out in Section 2.1 of this Explanatory Statement.

The identity of the Associates and the nature of their relevant interests in the Company is summarised in Section 2.5(b) below.

(b) **Relevant Interests and Voting Power**

The relevant interests of Steven Parnell and the Associates in voting shares in the capital of the Company and the voting power of Steven Parnell and the Associates, both current, and following the issue of the New Shares to the Vendor Shareholders (assuming the maximum number of New Shares are issued) as contemplated by this Notice are set out in the tables below.

(i) **Current holdings of Steven Parnell and Associates:**

Name	Capacity	Shares	Options	Relevant Interest	Voting Power
Steven Parnell	Legal and beneficial holder of Shares	Nil	Nil	Nil	0.085%
Anthony Short	Legal and beneficial holder of Shares	100,000	Nil	100,000	0.085%
Hong-Jim Saw	Legal and beneficial holder of Shares	Nil	Nil	Nil	0.085%
Peter Main	Legal and beneficial holder of Shares	Nil	Nil	Nil	0.085%
Belinda McLeod	Legal and beneficial holder of Shares	Nil	Nil	Nil	0.085%
Robert Jewson	Legal and beneficial holder of Shares	Nil	Nil	Nil	0.085%
Michael Gill	Legal and beneficial holder of Shares	Nil	Nil	Nil	0.085%
Bruce Strapp	Legal and beneficial holder of	Nil	Nil	Nil	0.085%

	Shares				
Nicola Gill	Legal and beneficial holder of Shares	Nil	Nil	Nil	0.085%
<b>Total</b>		<b>100,000</b>	<b>Nil</b>	<b>100,000</b>	<b>0.085%</b>

(ii) Holdings of Steven Parnell and Associates following the issue of New Shares:

Name	Capacity	Shares	Options	Relevant Interest	Voting Power
Steven Parnell	Legal and beneficial holder of Shares	73,843,316	Nil	73,843,316	52.15%
Anthony Short	Legal and beneficial holder of Shares	14,509,433	Nil	14,509,433	52.15%
Hong-Jim Saw	Legal and beneficial holder of Shares	3,201,100	Nil	3,201,100	52.15%
Peter Main	Legal and beneficial holder of Shares	3,201,100	Nil	3,201,100	52.15%
Belinda McLeod	Legal and beneficial holder of Shares	3,201,100	Nil	3,201,100	52.15%
Robert Jewson	Legal and beneficial holder of Shares	1,600,550	Nil	1,600,550	52.15%
Michael Gill	Legal and beneficial holder of Shares	3,201,100	Nil	3,201,100	52.15%
Bruce Strapp	Legal and beneficial holder of Shares	12,500,000	Nil	12,500,000	52.15%
Nicola Gill	Legal and beneficial holder of Shares	12,500,000	Nil	12,500,000	52.15%
<b>Total</b>		<b>127,757,799</b>	<b>Nil</b>	<b>127,757,799</b>	<b>52.15%</b>

The SPAs are the only agreements between the Company and the Vendor Shareholders in relation to the Company and this does not

affect or relate to the control or influence of the Company's board or the Company affairs.

Further details on the voting power of Steven Parnell and the Associates are set out in the Independent Expert's Report prepared by Elderton Capital Pty Ltd.

(iii) **Summary of increases**

From a review of the above tables it can be seen that:

- (A) the maximum relevant interest that Steven Parnell will hold after completion of the issue of New Shares is 73,843,316 Shares, and the maximum voting power that Steven Parnell will hold is 52.15%. This represents a maximum increase in voting power of 52.06% (being the difference between 0.085% and 52.15%).
- (B) the maximum relevant interest that each of the other Vendor Shareholders will hold after completion of the issue of New Shares and the maximum voting power that they each will hold is set out in the table above. This represents a maximum increase in voting power of 52.06% (being the difference between 0.085% and 52.15%).

(iv) **Assumptions**

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

- (A) the Company has 117,242,568 Shares on issue as at the date of this Notice of Meeting;
- (B) the Company has 49,339,754 Options on issue as at the date of this Notice of Meeting;
- (C) the maximum number of Shares which may be issued to the Vendor Shareholders pursuant to the SPAs (being 127,657,699 New Shares) are issued;
- (D) the Company does not issue any additional Shares;
- (E) no Options on issue in the Company are exercised and converted into Shares; and
- (F) the Vendor Shareholders do not acquire any additional Shares other than those proposed to be issued pursuant to Resolution 2.

(c) **Reasons for the proposed Issue**

As set out in Section 2.1 of this Explanatory Statement, the New Shares are being issued to the Vendor Shareholders in part consideration of the acquisition of Ashburton Metals Group, North Iron Cap and Kokoda. Accordingly, no funds will be raised from the proposed Issue.

(d) **Date of proposed Issue**

The New Shares the subject of this Resolution 2 will be issued on approximately 18 October 2019 (being a date following the Spin-out Record Date).

(e) **Material terms of proposed Issue**

The Company is proposing to issue up to the Vendor Shareholders (based on a deemed issue price of \$0.03 per New Share) in part consideration for the New WA Assets.

Resolution 2 is conditional on Resolution 1 being passed. In the event that Shareholder approval of either Resolution 1 or Resolution 2 is not obtained, the Proposal will not proceed and the New Shares will not be issued.

(f) **Vendor Shareholders' Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that the Steven Parnell and the Associates:

- (i) have no present intention of making any significant changes to the business of the Company;
- (ii) have no present intention to inject further capital into the Company;
- (iii) have no present intention to make changes regarding the future employment of the present employees of the Company;
- (iv) do not intend to redeploy any fixed assets of the Company;
- (v) do not intend to transfer any property between the Company and the Vendor Shareholders; and
- (vi) have no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to Steven Parnell and the Associates at the date of this Notice.

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

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

The Directors recommend that Shareholders vote in favour of this Resolution. The Company confirms that none of the other Directors have a material personal interest in the outcome of this Resolution.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholder to make a decision whether it is in the best interests of the Company to pass this Resolution.

## (h) Capital Structure

Set out below is the Company's current capital structure as at the date of this Notice and upon completion of the issue of the New Shares (assuming that all of the New Shares are issued by the Company).

	Shares	Options
Balance at the date of this Notice	117,242,568	49,339,754
Balance after issue of the New Shares <sup>1</sup>	244,900,267	49,339,754

### Notes:

1. This assumes that no additional Shares are issued by the Company (other than the New Shares pursuant to Resolution 2) and that no existing Options are exercised and converted into Shares.

## 2.6 Advantages of the Issue

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 2:

- (a) The acquisition of the New WA Assets will complement the existing WA Assets.
- (b) Potential access to capital for a larger portfolio of complementary assets.
- (c) An increase to the Company's exploration potential.

## 2.7 Disadvantages of the Issue

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 2:

- (a) the issue of the New Shares to the Vendor Shareholders will increase the voting power of Steven Parnell and his associates from 0.085% to 52.15% reducing the voting power of non-associated Shareholders in aggregate from 99.915% to 47.85%; and
- (b) there is no guarantee that the Company's Shares will not fall in value as a result of the Issue.

## 2.8 Independent Expert's Report – Resolution 2

The Independent Expert's Report prepared by Elderton Capital Pty Ltd for the acquisition of the New WA Assets the subject of Resolution 2 (a copy of which is attached as the Schedule 1 to this Explanatory Statement) assesses whether the transactions contemplated by Resolution 2 are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report in relation to the concludes that the transactions contemplated by Resolution 2 are **not fair but reasonable** to the non-associated Shareholders of the Company.

The Independent Expert notes that the key advantages of the proposal raised in Resolution 2 to the Company and existing Shareholders are as follows:

- (a) The proposed acquisition of the New WA Assets will increase the Company's exploration potential.
- (b) Recent strong gold prices.
- (c) Close proximity to existing WA Assets.

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

- (a) Dilution of existing Shareholders as a result of the issue of New Shares to the Vendor Shareholders.
- (b) Risk of not diversifying the asset base

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

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### **3. RESOLUTION 3 – PLACEMENT OF NEW SHARES**

#### **3.1 General**

Resolution 3 seeks Shareholder approval for the issue of that number of Shares which, when multiplied by the issue price, will raise up to \$1,500,000 (**Placement**).

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

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

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

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is up to that number of Shares which, when multiplied by the issue price, equals \$1.5 million;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price under the Placement will be not less than 80% of the volume weighted average price for Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made;
- (d) the Shares will be issued to sophisticated investors, none of which are related parties of the Company;

- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) funds raised from the Placement will be applied towards exploration on the New WA Assets and general working capital.

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

##### **4.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 2,500,000 Options (**Director Options**) to Andy Viner on the terms and conditions set out below.

Andy Viner was appointed as a director of the Company on 13 September 2019.

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

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

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

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

The grant of the Director Options constitutes giving a financial benefit and Andy Viner is a related party of the Company by virtue of being a Director.

The Directors (other than Andy Viner who has a material personal interest in Resolution 4) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Director Options because the agreement to issue the Director Options are performance incentives on normal commercial terms and as such the giving of the financial benefit is considered reasonable remuneration in the circumstances.

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

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

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

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

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

- (a) the Director Options will be issued to Andy Viner (or his nominee), who is a related party of the Company by virtue of being a Director;
- (b) the number of Director Options to be issued is 2,500,000;
- (c) the Director Options will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that all of the Director Options will be issued on the same date;
- (d) the Director Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the terms and conditions of the Director Options are set out in Schedule 4.

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

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## 5. RESOLUTIONS 5 AND 6 – ISSUE OF SHARES TO RELATED PARTIES – MESSRS DAVID RICHARDSON AND DAVID BERRIE

### 5.1 General

Pursuant to Resolutions 5 and 6, the Company is seeking Shareholder approval for the issue of Shares to Directors as follows:

- (a) 4,480,000 Shares to David Richardson; and
- (b) 1,360,000 Shares to David Berrie.

### 5.2 Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in Sections 4.2 and 4.3 respectively.

It is proposed that the Shares be issued to Messrs Richardson and Berrie in lieu of Shares the Directors would have received on conversion of Class B Performance Shares previously held by the Directors. By way of background:

- (a) Class B Performance Shares were issued in connection with the Company's initial public offer in May 2017 as deferred consideration in connection with the Company's acquisition of 100% of the issued share capital of Modeling, including:
  - (i) 4,480,000 Class B Performance Shares to David Richardson;
  - (ii) 1,360,000 Class B Performance Shares to David Berrie; and
  - (iii) 1,600,000 Class B Performance Shares to Gold Fields Australia Pty Limited.
- (b) The milestones of the Class B Performance Shares (**Milestones**) are as follows:  
 (**Class B Performance Shares**) the Company achieving two of the following:

- (i) signing a JV agreement with a JV partner (with a minimum market capitalisation of \$100m or is a Foreign Government Investor or equivalent) in a single existing Modeling project, being Myall, Moorefield, Wellington or Parkes, where the JV partner agrees to spend \$4,000,000 to acquire not more than a 51% stake in the JV asset, within the first 24 months post of admission to the Official List of the ASX; and/or
  - (ii) the 30 day VWAP in the trading of the Company's Shares of a minimum of 25c per share within the first 12 months of admission to the Official List of the ASX; and/or
  - (iii) a minimum of \$4m spent by the Company on exploration and associated costs with an emphasis on the near surface gold targets within the area covered by the existing East Lachlan tenement licences within the first 24 months of admission to the Official List of the ASX.
- (c) Under the terms and conditions of the Class B Performance Shares, each Class B Performance Share will convert into one Share upon the satisfaction of the relevant Milestone prior to the relevant expiry date (being 17 May 2019 under (i) and (iii) and 17 May 2018 under (ii) in (b) above).
- (d) Milestone (iii) in (b) above was satisfied before the expiry date of 17 May 2019.
- (e) In relation to Milestone (i) in (b) above, in April 2019 (before the relevant expiry date for the milestone), the Company had negotiated the terms of a proposed JV agreement with a potential JV partner with a market capitalisation of approximately \$23 billion, for such party to spend \$10 million (being above the minimum amount under Milestone (i)) to acquire not more than a 51% interest in 2 of the Modeling projects. However the Directors in exercise of their business judgment in the best interests of the Company decided not to proceed with such transaction on the basis that a superior transaction could be consummated. Magmatic did not make an announcement to ASX regarding the proposed JV agreement. Whilst the Company has not yet identified a superior transaction (and to date no JV agreement has been entered into), it is in discussions with potential JV partners with a view to consummate a transaction.

Accordingly, on the basis that Milestone (iii) has been satisfied and Milestone (i) would have been satisfied before the expiry date of 17 May 2019 save for the Company deciding to proceed with a superior transaction (as determined by the Directors in exercise of their business judgment), the Company is seeking shareholder approval for the issue to Messrs David Richardson and David Berrie of an equivalent number of Shares).

The Directors (other than Messrs David Richardson and David Berrie) who have a material personal interest in Resolutions 5 and 6) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Shares because the issue of the Shares is in lieu of Shares that otherwise would have been issued to Messrs David Richardson and David Berrie.

### 5.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose

relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

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

#### 5.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 5 and 6:

- (a) the Shares will be issued to Messrs David Richardson and David Berrie (or their nominees), who are related parties of the Company by virtue of being Directors;
- (b) the maximum number of Shares to be issued is 5,840,000, being:
  - (i) 4,480,000 Shares to be issued to Mr David Richardson (or his nominee); and
  - (ii) 1,360,000 Shares to be issued to Mr David Berrie (or his nominee);
- (c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the Shares will be issued for nil cash consideration, accordingly no funds will be raised;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from this issue as the Shares will be issued in lieu of Shares on conversion of Class B Performance Shares, further details of which are set out in Section 5.2.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Messrs Richardson and Berrie (or their nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## 6. RESOLUTION 7 – ISSUE OF SHARES TO GOLD FIELDS AUSTRALIA PTY LIMITED

### 6.1 General

Resolution 7 seeks Shareholder approval for the issue of 1,600,000 Shares to Gold Fields Australia Pty Limited (**Gold Fields**). The Shares are proposed to be issued in lieu of Shares that Gold Fields would have received on conversion of Class B Performance Shares previously held by Gold Fields. A summary of the background in relation to the issue of the Class B Performance Shares and the Milestones in relation thereto is set out in Section 5.2.

A summary of ASX Listing Rule 7.1 is set out in Section 3.1 above.

The effect of Resolution 7 will be to allow the Company to issue the Shares to Gold Fields during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

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

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is 1,600,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration, accordingly no funds will be raised;
- (d) the Shares will be issued to Gold Fields, who is not a related party of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from this issue as the Shares will be issued in lieu of Shares on conversion of Class B Performance Shares, further details of which are set out in Section 5.2.

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## GLOSSARY

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**\$** means Australian dollars.

**AGC** means Australian Gold and Copper Ltd (ACN 633 936 526).

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

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

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

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

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

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

**Capital Reduction** means the proposed reduction of capital by the Company by the distribution of specific assets to Shareholders, being the 117,242,568 AGC Shares (the subject of Resolution 1).

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

**Company** or **Magmatic** means Magmatic Resources Limited (ACN 615 598 322).

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

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

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

**Director Options** has the meaning set out in Section 4.1 of the Explanatory Statement

**Eligible Shareholder** means a registered holder of a Share on the Record Date.

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

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

**In-specie Distribution** means a pro-rata distribution of AGC Shares to Eligible Shareholders, further details of which are set out in Section 1.3 of the Explanatory Statement.

**Issue** means the proposed issue of the New Shares to the Vendor Shareholders, the subject of Resolution 2.

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

**New WA Assets** has the meaning set out in Section 1.3 of the Explanatory Statement.

**New Shares** has the meaning set out in Section 2.2 of the Explanatory Statement.

**NSW Assets** has the meaning set out in Section 1.2 of the Explanatory Statement.

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

**Proposal** has the meaning set out in Section 1.3 of the Explanatory Statement.

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

**Record Date** or **Spin-out Record Date** means the record date for the In-specie Distribution set out in the timetable in Section 1.6 of the Explanatory Statement.

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

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

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

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

**Spin-out** has the meaning set out in Section 1.3 of the Explanatory Statement.

**Vendor Shareholders** has the meaning set out in Section 2.2 of the Explanatory Statement.

**WA Assets** has the meaning set out in Section 1.2 of the Explanatory Statement.

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

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**SCHEDULE 1 – INDEPENDENT EXPERT’S REPORT**

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**MAGMATIC RESOURCES LIMITED**  
**Independent Expert's Report and Financial**  
**Services Guide**

**September**  
**2019**

**Elderton Capital Pty Ltd Pty Ltd**  
**ACN 22 137 309 892**  
**Financial Services Guide**

*About us*

Elderton Capital Pty Ltd (**Elderton Capital** or **we** or **us** or **our**) (Australian Financial Services Licence 342143) has been engaged by Magmatic Resources Limited (**Magmatic** or **the Company**) to provide general financial product advice in the form of an independent expert's report (**Report**) in connection with the proposed Transaction. Our Report sets out our opinion as to whether the Transaction is fair and reasonable and our reasons for forming those conclusions.

The *Corporations Act 2001 (Cth)* requires us to provide this Financial Services Guide (**FSG**) in connection with the attached Report prepared for Magmatic. You are not the party who engaged us to prepare this Report and we are not acting for any person other than Magmatic. This FSG provides important information designed to assist Shareholders in forming their views of the Transaction and in understanding any general financial advice provided by Elderton Capital in this Report. Our Report is not intended to comprise personal retail financial product advice to retail investors or market-related advice to retail investors. This FSG contains information about our engagement by the directors of Magmatic to prepare this Report in connection with the Transaction (Engagement), the financial services we are authorised to provide, the remuneration we (and any other relevant parties) may receive in connection with the Engagement, and details of our internal and external dispute resolution systems and how these may be accessed.

*Financial services we are authorised to provide*

Our Australian Financial Services Licence authorises us to carry on a financial services business to provide financial product advice for classes of financial products, including securities and government debentures, stocks and bonds, and to deal in financial products by applying for, acquiring, varying or disposing of financial products on behalf of another person in respect of the abovementioned classes of financial products to retail and wholesale clients.

*General financial product advice*

We do not provide personal financial product advice to retail clients. This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. Where the advice relates to the application for or acquisition of a financial product, you should also obtain and read carefully the relevant Transaction document or explanatory memorandum provided by the issuer or seller of the financial product before making a decision regarding the application for or acquisition of the financial product.

*Remuneration, commissions and other benefits*

Elderton Capital charges fees for its services and will receive a fee of \$15,000 (excluding GST) for its work on this Report. These fees have been agreed on, and will be paid solely by Magmatic, which has engaged our services for the purpose of providing this Report. Elderton Capital may seek reimbursement of any out of pocket expenses incurred in providing these services. Our advisers are directors and employees of Elderton Capital who are paid salaries and dividends by Elderton Capital and may also receive bonuses and other benefits from Elderton Capital. Our advisers may alternatively be paid by means of commission determined by a percentage of revenue written by the adviser.

*Associations and relationships*

There are no associations and relationships with Magmatic other than acting as independent expert for the purposes of this report. Prior to accepting this engagement Elderton Capital Pty Ltd has considered its independence with respect to Magmatic and any of its respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In Elderton Capital's opinion independent of Magmatic and the related parties under review in this Report. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at a maximum of \$15,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Elderton Capital nor Nick Hollens and Rafay Nabeel have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report. Elderton Capital, its directors and executives do not have an interest in securities, directly or indirectly, which are the subject of this Report. Elderton Capital may perform paid services in the ordinary course of business for entities, which are the subject of this Report.

*Risks associated with our advice*

This FSG is provided in connection with the attached Report relating to the Transaction. The Report comprises general product advice and does not comprise personal financial product advice to retail investors or market-related advice to retail investors. The Report is an expression of Elderton Capital's opinion as to whether the Transaction is fair and reasonable. However, Elderton Capital's opinion should not be construed as a recommendation as to whether or not to approve the Transaction. Approval of the Transaction is a matter for individual shareholders based on their own circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in any doubt as to the action they should take in relation to the Transaction should consult their own independent professional advisers. Further information on the risks, assumptions and qualifications associated with the advice is contained within the Report.

*Compensation arrangements*

The law requires Elderton Capital to have arrangements in place to compensate certain persons for loss or damage they suffer from certain breaches of the *Corporations Act 2001* by Elderton Capital or its representatives. Elderton Capital has internal compensation arrangements as well as professional indemnity insurance that satisfy these requirements.

*Complaints*

As an Australian Financial Services Licence holder, we are required to have an internal complaints-handling mechanism. All complaints must be addressed to us in writing at Level 2, 267 St Georges Terrace, Perth, WA, 6000. You may contact us on P: 08 6324 2900, E: [info@eldertoncapital.com](mailto:info@eldertoncapital.com). If we are not able to resolve your complaint to your satisfaction within 45 days of first lodging it with us, you are entitled to have your matter referred to the Financial Ombudsman Service (FOS). You will not be charged for using the FOS service.

To contact the FOS:

GPO Box 3  
MELBOURNE, VIC 3001  
Tel: 1300 780 808  
Fax: (03) 9613 6399

Privacy & use of information. We do not collect personal information on individual clients and are bound by the Elderton Capital Privacy Policy in the way that it governs personal information collected on clients. If you have any questions on privacy please contact us on the details above.

## TABLE OF CONTENTS

1.	Introduction	5
2.	The purpose of this report	6
3.	Executive summary	7
4.	Details of the proposed Transaction	10
5.	Profile of Magmatic	11
6.	Profile of companies being acquired	16
7.	Valuation Methodologies	22
8.	Is the Proposed Transaction Fair	30
9.	Is the Proposed Transaction Reasonable	30
Appendix 1 – Sources of information		31
Appendix 2 – Declarations and Disclosures		32
Appendix 3 – Glossary of Terms		34

11 September 2019

The Directors  
Magmatic Resources Limited

# ELDERTON CAPITAL

Dear Sirs

## Opinion

### 1. Introduction

Magmatic Resources Limited ("**Magmatic**" or the "**Company**") entered into sale and purchase agreements on or about 7 June 2019 with Ashburton Metals Group Pty Ltd, North Iron Cap Pty Ltd and Kokoda Exploration Pty Ltd. The Ashburton Project consists of the Lyndon Gold and Copper Project which is in the Gascoyne region of WA. The North Iron Cap Project is a small short-term gold exploration asset located near Southern Cross in WA approximately 400km east of Perth. The Kokoda Calyerup Project is located 375km's south east of Perth.

The Directors of Magmatic have requested that Elderton Capital Pty Ltd ("**Elderton**"), being independent and qualified for the purpose, prepare an Independent Expert Report (the "**Report**" or "**IER**") to express an opinion as to whether the proposal as outlined in Resolution 2 to the notice of meeting ("**Notice**") and the explanatory memorandum ("**EM**") attached to the notice relating to the proposed acquisition of the various projects "**proposed transaction**" or "**transaction**" is fair and reasonable to the shareholders of Magmatic.

Magmatic has signed binding sale and purchase agreements to acquire 100% of the issued share capital of each of:

- Ashburton Metals Group Pty Ltd;
- North Iron Cap Pty Ltd; and
- Kokoda Exploration Pty Ltd.

The total consideration for the acquisition of the 3 companies is as follows:

#### Ashburton Metals Group Pty Ltd

- 44,824,366 Magmatic shares at a deemed issue price of \$0.03 per share
- Cash consideration of \$55,000

#### North Iron Cap Pty Ltd

- 57,833,333 Magmatic shares as a deemed issue price of \$0.03 per share,
- Cash consideration of \$115,000

#### Kokoda Exploration Pty Ltd

- 25,000,000 Magmatic shares at a deemed issue price of \$0.03 per share

In preparing this IER we have had regard the Australian Securities and Investment Commission ("**ASIC**") Regulatory Guide 111 Content of Expert Reports ("**RG 111**"), in our assessment of the fairness and reasonableness of the proposed transaction.

The ultimate decision whether to approve the proposed transaction should be based on each shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to add value to future market conditions. If in doubt about the proposed transaction, or matters dealt with in this IER, shareholders should seek independent professional advice.

## 2 The purpose of this report

The proposed transaction is not considered a related party transaction under chapter 2E of the Corporation Act 2001. However, Shareholder approval for the proposed transaction is required under item 7 of section 611 of the Corporations Act as Mr. Steven Parnell and his associates' reason of relevant interest increasing from 0.85% to 52.15% of the issued share capital of Magmatic, which requires analysis of the transaction that complies with ASIC RGIII.

In addition, Chapter 10 of the ASX listing rules states the following:

- **Listing Rule 10.1** of the ASX Listing Rules states that any listed company acquiring or disposing of substantial asset to various persons in a position of influence must inform the shareholders and have the opportunity to vote on the such transactions.
- **Listing Rule 10.2:** An asset is substantial if its value, or the value of the consideration for it is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX.
- **Listing Rule 10.10:** Independent Expert Report (IER) is prepared to provide an opinion on whether the transaction per listing rule 10.1 above is fair and reasonable to the shareholders.

### 3 Executive Summary

#### 3.1 Approach

Our Report has been prepared having consideration of ASIC's RG 111 and Regulatory Guide 112 ("RG 112") 'Independence of Experts'.

In arriving at our opinion, we have assessed the terms of the Sale and Purchase Agreement ("S&P Agreement") which sets out the terms of the purchase of Ashburton Metals Group Pty Ltd, North Iron Cap Pty Ltd and Kokoda Exploration Pty Ltd. We have considered:

- Does the value of the assets acquired by Magmatic as a result of the proposed transaction, fully reflect the dilutive effect on Magmatic's existing shareholders?
- Other factors which we consider to be relevant to the Shareholders in their assessment of the proposed acquisition; and
- The position of shareholders should the transaction not proceed.

#### 3.2 Opinion

After considering the terms of the proposed acquisition as described in detail above and as outlined in the body of this report, we are of the opinion that the proposed transaction is not fair but reasonable to the shareholders of Magmatic as at the date of this report.

- In our opinion, the acquisition of the various projects, via the acquisition of these companies who own and control the assets being acquired is not fair because the valuation of the consideration offered per the proposed transaction is in higher than the value of the assets acquired using a net asset valuation method.
- In our opinion, the acquisition of these companies is reasonable although it is not fair, because the advantages of approving the acquisition of these entities outweigh the disadvantages of not acquiring these entities as set out in Section 9 below.

Our opinion should not be construed to represent a recommendation as to whether Magmatic shareholders should approve the proposed transaction. Shareholders who are uncertain as to the impact of approving the proposed transaction should seek separate advice from their financial and/or taxation adviser.

The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the independent technical valuation report prepared by Agricola Mining Consultants Pty Ltd ("Agricola") dated 10 September 2019, attached as Appendix 4 of this report.

#### 3.3 Methodology Applied

In determining whether the proposed transaction is "fair and reasonable", we have given regard to the views expressed by ASIC in RG 111. This regulatory guide provides ASIC's views on how an expert can help security holders make informed decisions about a transaction and specifically gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

RG 111 states that the expert's report should focus on:

- the issues facing the security holders for whom the report is being prepared; and
- the substance of the transaction rather than the legal mechanism used to achieve it.

RG 111 applies the fair and reasonable test as two distinct criteria, stating that a proposed transaction is fair if the value of the financial benefit to be provided to the entity is equal or greater than the value of the consideration being provided by the entity.

A transaction is reasonable if it is fair. It might also be reasonable if, despite not being fair, the expert believes there are sufficient reasons for members to vote for the transaction.

Consistent with the guidelines in RG 111, in determining whether the proposed transaction is "fair and reasonable" to the shareholders, the analysis undertaken is as follows:

- A comparison between the fair value of the asset acquired compared to the consideration shares being issued together with the cash component (“Is the proposed transaction fair?”).
- Investigation into qualitative factors to which Shareholder might give consideration, prior to approving the proposed transaction (“Is the proposed transaction reasonable?”).

We have considered the advantages and disadvantages of the proposed transaction in the event that the proposed transaction proceeds.

Our assessment of the proposed transaction is based on economic, market and other conditions prevailing at the date of this Report.

### 3.4 Fairness

Per RG 111, Independent Expert Reports assessing the value of mineral assets must follow the Valmin Code.

Valmin code defines value as the fair market value of a mineral asset. The fair market value is the amount of money (or the cash equivalent of some other consideration) for which the mineral asset should change hands on the valuation date in an open and unrestricted markets between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.

Valmin code prescribes appropriate valuation methodologies for mineral assets depending on their stage of development. Generally, income-based approach using discounted cash flow methodology is only appropriate for development projects supported by proven and probable ore reserves. For less advanced projects (i.e. in early-stage/ advanced exploration projects) the appropriate methodologies are either a market-based approach using comparable sale evidence metrics, or a cost-based approach using sunk or replacement costs of the project.

We have consulted a geological consultant (“consultant”) who regularly undertakes technical valuations of mineral interests. The consultant was of the view that the various Projects are at the exploration stage per Valmin Code. Therefore, none of the Projects being acquired were sufficiently advanced to conduct a discounted cash flow-based valuation.

### 3.5 Reasonableness

In our opinion, the position of Shareholders if the proposed transaction is approved is more advantageous than the position if it is not approved. Accordingly, in the absence of any other relevant information we believe that the proposed transaction is reasonable to the shareholders.

### 3.6 Advantages of approving the proposed transaction

We have considered the following advantages when assessing whether the proposed transaction is reasonable.

Advantage	Description
The proposed transaction will increase the Company’s exploration potential.	The acquisition of the three companies Ashburton, North Iron Cap and Kokoda will significantly increase the Company’s gold resource base and exploration potential in Western Australia. All of the projects being acquired remain untested by recent drilling therefore there is potential for both increased resource tonnage but also for larger zones of mineralization.
Strong Gold Prices	The price of gold has increased significantly over the last twelve months from a low of USD \$1,176 per ounce in September 2018, to a level of USD \$1,500/OZ in August 2019.
Close Proximity	From a management perspective having all assets located in Western Australia will make the Group easier to manage, but at the same time being more geographically concentrated.

### 3.7 Disadvantages of approving the proposed transaction

Disadvantage	Description
Dilution of existing shareholders	As shown in section 5.5 of this report, if shareholders approve the proposed transaction the Company's share capital will increase from 117,232,568 to 244,900,267. This will reduce current shareholders interest from 100% to 47.85%.
Risk of not diversifying	By investing in another Gold project, the Company is taking a risk of not diversifying. However, we note that junior exploration companies are generally considered a high risk and reward investment for shareholders and therefore this is a normal risk for the given industry.

### 3.8 Alternative proposal

We are unaware of any alternative proposal that might be considered as a better option for the shareholders of Magmatic.

Based on our analysis of the above, in our opinion, the proposed transaction is **considered reasonable** for Shareholders because:

- a) After review, the advantages of the proposed transaction outweigh the disadvantages of approving it, for Shareholders; and
- b) After review, the disadvantages of rejecting the proposed transaction outweigh any advantages of rejecting it, for Shareholders.

### 3.9 Other Matters

Elderton Capital Pty Ltd holds the appropriate Australian Financial Services License to Issue this report.

In forming our opinion and conclusions, we have evaluated the interests of Magmatic shareholders as a collective group. Therefore, the advice provided does not consider any individual Magmatic shareholder directly: their financial situation, objectives or needs. It is not possible, nor is it practical, to assess the implications of the proposed transaction on individual shareholders as their specific financial circumstances are unknown.

**The decision as to whether or not to approve the proposed transaction is a matter for each individual Magmatic shareholder to consider based on, their risk appetite, desire for portfolio liquidity, investment strategy, and tax position. Each individual shareholder is therefore advised to consider the appropriateness of our opinion in the context of their circumstances, before making a decision regarding the proposed transaction.**

As any shareholder's decision to vote for or against this resolution may be affected by their aforementioned personal circumstances, we advise that each individual shareholder seeks their own independent professional advice.

Our report has been prepared in accordance with the *Corporations Act 2001* ("the Act") and other relevant Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Magmatic shareholders in evaluating whether to approve the above-mentioned transaction. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

#### 4 Details of the proposed transaction

##### 4.1 Details from the Company's ASX Announcements

On 7 June 2019, Magmatic announced that it has entered into agreements to acquire 3 Western Australian gold and copper assets to complement its existing East Laverton WA exploration projects.

Magmatic has signed binding conditional sale and purchase agreements to acquire 100% of the issued share capital of each of:

- Ashburton Metals Group Pty Ltd,
- Iron Cap Pty Ltd; and
- Kokoda Exploration Pty Ltd.

The total consideration for the acquisition of the 3 companies is as follows:

##### Ashburton Metals Group Pty Ltd

- 44,824,366 Magmatic shares at a deemed issue price of \$0.03 per share
- Cash consideration of \$55,000

##### North Iron Cap Pty Ltd

- 57,833,333 Magmatic shares as a deemed issue price of \$0.03 per share,
- Cash consideration of \$115,000

##### Kokoda Exploration Pty Ltd

- 25,000,000 Magmatic shares at a deemed issue price of \$0.03 per share

The proposed transaction is subject to various conditions precedent including:

- Approval of the acquisition and the proposed demerger and in-specie distribution.

##### 4.3 The Resolution to Shareholders

The resolution relevant to the proposed transaction is set out in the NOM and is listed below:

##### *Resolution 2 – Approval of the issue of shares to the vendor shareholders*

"That subject to the passing of Resolution 1, for the purposes of Section 611 (item 7) of the Corporations Act and for all the other purposes, approval is given for:"

- a) The Company to issue up to 127,657,699 shares to the Vendor Shareholders; and
- b) The acquisition of an increased relevant interest in the issued voting shares of the Company by the Vendor Shareholders, otherwise prohibited by section 606 (1) of the Corporations Act by virtue of the issue of the new shares which will result in the Vendor Shareholders and their associates voting power in the capital of the Company increasing from 0.085% to a maximum of 52.15%.

## 5 Profile of Magmatic

Magmatic is an Australian company listed on the ASX (Code: MAG) whose principal current activity is to explore and/or review mineral tenement holdings in New South Wales and Western Australia.

### 5.1 Directors & Key Management

As at the date of this report, the Directors and Key Management of Magmatic comprise the following:

- David Berrie – Non-Executive Chairman
- David Richardson – Managing Director
- Malcolm Norris – Non-Executive Director

To date Magmatic has 2 100% owned subsidiaries, Landslide Investments Pty Ltd and Modeling Resources Pty Ltd ( “Modeling”). Modeling has 4 100% owned projects in NSW being Myall, Morefield, Wellington North and Parkes. Magmatic have the following West Australian assets:

#### **Mt Venn Copper, Nickel and Cobalt (100%)**

Mt Venn is located 120km east of Laverton in Western Australia. It consists of 1 tenement (E38/2961) for 60km<sup>2</sup> which covers 60% of the Mt Venn Intrusion, where Great Boulder Resources discovered copper-nickel-cobalt mineralization at its Mt Venn target. Intercepts included 48m at 0.75% Cu, 0.2% Ni and 0.07% Co and 61m at 0.51% Cu, 0.19% Ni and 0.06% Co (GBR ASX release 13/11/2017).

Rock chip sampling at the Mt Venn Project, by previous explorer, was completed along 7km of strike length and identified copper-bearing gossans. Detailed ground EM and heliborne VTEM surveys by previous explorer identified multiple conductors, which remain untested or with minimal follow-up.

Magmatic intends to commence field work at its Mt Venn Project as soon as practicable with field reconnaissance reprocessing of EM and VTEM data and an RC drill program scheduled.

#### **Yamarna Gold Project (100%)**

The Yamarna Project is located 150km northeast of Laverton in the underexplored Yamarna Greenstone Belt of WA, 40km northeast of the Company’s Mt Venn Project. Magmatic has acquired and applied for four exploration tenements this year (E38/2918, E38/3327 and E38/3351 acquired and E38/3312 applied for). Application E38/3312 has now been granted.

The Yamarna Project is just 15km northwest of Gruyere (5.88Moz) gold mine under construction (Gold Fields/Gold Road JV).

The Magmatic exploration team have identified a large-scale regional structure transecting the Company’s new tenements, interpreted to be prospective for gold. Previous exploration is limited and includes minor shallow RAB and AC drilling, which Magmatic plans to assess with ground work completed in the 2018 field season.

## 5.2 Magmatic's Financial Position

The table below sets out the financial position of Magmatic as at 31 December 2018, 30 June 2018 and 30 June 2017.

	Reviewed Half year ended 31 December 2018 \$	Audited 30 June 2018 \$	Audited 30 June 2017 \$
<b>Current Assets</b>			
Cash and cash equivalents	507,440	553,484	3,060,365
Other receivables	83,413	89,551	84,737
<b>Total Current Assets</b>	<b>590,853</b>	<b>643,035</b>	<b>3,165,102</b>
<b>Non-Current Assets</b>			
Exploration expenditure	2,073,350	2,043,350	1,368,350
Plant and Equipment	57,051	75,419	44,531
Security Bonds	91,300	101,300	71,300
<b>Total Non-Current Assets</b>	<b>2,221,701</b>	<b>220,069</b>	<b>1,484,181</b>
<b>Total Assets</b>	<b>2,812,554</b>	<b>2,863,104</b>	<b>4,649,283</b>
<b>Current Liabilities</b>			
Trade and other payables	300,612	531,015	384,852
<b>Total Current Liabilities</b>	<b>300,612</b>	<b>531,015</b>	<b>384,852</b>
<b>Non-current Liabilities</b>	<b>126,527</b>	<b>126,527</b>	-
Trade and other payables	126,527	126,527	-
<b>Non-Current Liabilities</b>			
<b>Total Liabilities</b>	<b>427,139</b>	<b>657,542</b>	<b>384,852</b>
<b>Net Assets/(Liabilities)</b>	<b>2,385,415</b>	<b>2,205,562</b>	<b>4,264,431</b>
<b>Equity</b>			
Contributed equity	6,779,003	5,838,182	3,763,182
Accumulated losses	(7,462,291)	(6,701,323)	(4,167,453)
Reserves	3,068,703	3,068,703	4,668,702
<b>Total Equity</b>	<b>2,385,415</b>	<b>2,205,562</b>	<b>4,264,431</b>

### 5.3 Magmatic's Financial Performance

The table below sets out the financial performance for the period ended 31 December 2018 and the financial years ending 30 June 2017 and 2018.

	Reviewed Half year ended 31 December 2018 \$	Audited 30 June 2018 \$	Audited 30 June 2017 \$
<b>Revenue</b>			
Other Income	47,935	225,000	10,510
<b>Expenses</b>			
Administrative expense	(535,035)	(1,138,923)	(682,650)
Exploration expenses	(270,402)	(1,620,554)	(595,719)
Finance costs	(466)	-	(183,529)
Share-based payments	-	-	(2,342,832)
<b>(Loss) before income tax expense</b>	<b>(760,968)</b>	<b>(2,533,870)</b>	<b>(3,794,220)</b>
Income tax expense	-	-	-
<b>(Loss) from continuing operations</b>	<b>(760,968)</b>	<b>(2,533,870)</b>	<b>(3,794,220)</b>
Other comprehensive income for the period	-	-	-
<b>Total Comprehensive Income for the period attributable to members of the Group</b>	<b>(760,968)</b>	<b>(2,533,870)</b>	<b>(3,794,220)</b>

#### 5.4 Magmatic's Current Capital Structure

At the date of this report the Company has 117,242,568 ordinary shares on issue. The top 20 shareholders account for 81% of the total shares on issue. Set out in the table below are the top 20 shareholders, the number of shares held and the percentage of the total.

Shareholder	No. of shares	%
Bilingual Software Pty Ltd	32,188,823	27.45
Goldfields Australia	17,600,000	15.01
Dauthea Pty Ltd	12,669,044	10.08
Mr David Richardson & Mrs Ryoko Richardson	5,448,751	4.65
Mr Nerve Crijenkov	5,025,000	4.29
Element 25 Limited	3,770,485	3.22
Sancoast Pty Ltd	3,000,000	2.56
Serca Super Fund	3,000,000	2.56
Mr Alan John Tate	2,317,572	1.98
Executive Risk Solutions Pty Ltd	1,470,588	1.25
Mr Christopher Bollam	1,160,852	0.99
Thomas Asset Discovery Pty Ltd	1,107,059	0.94
Paso Holdings Pty Ltd	1,100,000	0.94
Gecko Resources Limited	1,000,000	0.85
Gosojo Pty Ltd	1,000,000	0.85
Mr Alan Goodfellow	900,000	0.77
Showcity Pty Ltd	800,000	0.68
Eric Mckenzie Nominees	784,313	0.67
Toltect Holdings Pty Ltd	750,000	0.64
Jasper Hill Resources Pty Ltd	565,000	0.48
Other shareholders	21,585,081	18.41
<b>Total</b>	<b>117,242,568</b>	<b>100%</b>

The range of shares held in Magmatic at 27 August 2019 is as follows:

Table 7

Range of shares held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 – 1,000	11	3,414	0.0029
1,001 – 5,000	20	85,419	0.078
5,001 – 10,000	98	927,894	0.79
10,001 – 100,000	161	7,062,588	5.98
100,001 and over	78	109,163,253	93.14
<b>TOTAL</b>	<b>368</b>	<b>117,242,568</b>	<b>100.000%</b>

Source: Management of Magmatic

MAG had the following options on issue at the date of this report:

Conditions of options	Number
Listed options exercisable at \$0.30 on or before 17 May 2020	17,230,613
Listed options exercisable at \$0.10 on or before 30 August 2021	26,859,141
Unlisted options exercisable at \$0.30 on or before 17 May 2020	750,000
Unlisted options exercisable at a price equal to the greater of \$0.20 or a 5% discount to the 20-day VWAP of shares on ASX on or before 11 May 2020	2,500,000

**5.5 Capital Structure if the transaction proceeds**

Should the transaction proceed, it will have the following effect on Magmatic's capital structure:

	Magmatic	Vendor Shareholders	Total
<b>Existing shares</b>	<b>117,232,568</b>	<b>100,000</b>	<b>117,242,568</b>
<b>Shareholding %</b>	<b>99.925%</b>	<b>0.085</b>	<b>100%</b>

<b>Proposed transaction</b>			
<b>Issue of consideration shares</b>	<b>-</b>	<b>127,657,699</b>	<b>127,657,699</b>
	<b>117,232,568</b>	<b>127,667,699</b>	<b>244,900,267</b>
<b>Shareholding %</b>	<b>47.85%</b>	<b>52.15%</b>	<b>100%</b>

If the transaction proceeds Magmatic's existing shareholders will be diluted from 99.925% to 47.85%.

## 6 Profile of Companies being acquired

### 6.1 Ashburton Metals Group (Ashburton)

Ashburton is a privately-owned mineral exploration company which was incorporated on 3 March 2016. Details of current directors and shareholders are set out below. The company's major project is the Ashburton Project. The current directors of Ashburton are as follows:

- Steven Parnell,
- Anthony Short

The current shareholders in Ashburton are as follows:

Shareholder	Ashburton Shares Held
Fay Holdings Pty Ltd	11,666,667
Clutch Group Pty Ltd	14,583,333
VF17S Pty Ltd	1,458,333
Peter Main	2,916,667
Hong-Jim Saw	1,458,333
Belinda Sonia McLeod	2,916,667
Robert Andrew Jewson	1,458,333
Michael Robert Gill	2,916,667
Anthony Nelson Short	1,458,333
<b>Total</b>	<b>40,833,333</b>

#### Ashburton Project

The Lyndon Gold and Copper Project is located in the Ashburton Mineral field in the Gascoyne region some 360 kilometers south west of Karratha in Western Australia. The project comprises tenements E08/2913 (Lyndon) and E08/2883 (Eric's Find) and is located 10 kilometers north of Lyndon Station homestead which has well maintained access roads and tracks.

#### Geology

The regional geology of the project area is part of the early Proterozoic Morrissey Metamorphic Suite of the Capricorn Orogen in the Gascoyne Complex of Western Australia. These rocks comprise mostly pelitic and mafic schists, gneiss and various metasediments. These have been intruded both muscovite bearing 'S' type granites and also 'I' type granites.

Two phases of deformation D1 and D2 appear related to the two granite intrusive events.

Around 50% of the project area is covered by Quaternary alluvial, scree and sheetwash between low lying hills. Mapping shows northwest trending gneissic and schistose and migmatitic geological units are bounded by granodiorites. All units are intruded by late Proterozoic dolerites and gabbros forming dykes and sills that have been subject prograde metamorphism with the host rocks.

Gold mineralization located to date is restricted to narrow quartz veins with minor copper mineralisation within schists and gneisses, located adjacent to and within the dolerite intrusives. Nine prospects have been defined within the project.

### **Historical Exploration**

Prior to 2009 work has been carried out by numerous prospectors and companies. The principal information sources for this work are contained in the following Mines Department reports; WAMEX A22931, A27275, A38072, A43198, A49763, A49944, A53266, A53666, A70547, A71534, A87646. The main companies that completed extensive exploration were Cove Mining from 1994-1998, Helix Resources from 1996-1999, and Fox Resources in 2005. Most of this work was limited to surface rock, stream and soil sampling and very limited RAD drilling at the Lyndon Station/Bettina mine.

After 2009 and until 2013, Integrated Resources Group (IRG) completed extensive exploration which has been released to the ASX as part of their public company reporting.

The Geological survey of W.A has been conducting regional geological investigations into the Gascoyne Province and Aitken et al 2014 contains a summary of this work.

### **Mineralisation**

Various small showings of gold with some associated copper and lead were identified in the 1980's with local mapping, consteaming and sampling being carried out. Mining had taken place at the Lyndon Station mine in the period 1952-1954. Mineralised vein orientations vary from east-west striking, which includes the Bettina-Lyndon Station (Bettina), Eric's Find and Eric's Find South prospects, to northeast-striking, which include the Thirty Bob Well, Broken Thumb and Eric's Find West prospects. Of these prospects the best grades are found at the Bettina lodes that averaged several ounces per tonne Au when mined in the 1950s, and the Eric's Find vein. Both of these veins have east-west orientations.

We have been provided with the management accounts of the company for the period ended 31 May 2019.

### 6.1.2 Statement of Financial performance for the year ended 31 May 2019

	2019
	\$
Income	-
Administration expenses	
Tenement costs	(9,757)
Tenement rates	(956)
Government fees	(421)
<b>Net loss for the Year</b>	<b>(11,134)</b>

### Statement of Financial Position as at 31 May 2019

	2019
	\$
<b>Current Asset</b>	
Cash	60
Trade and other receivables	35,693
<b>Total current assets</b>	<b>35,693</b>
<b>Non-current assets</b>	
Property, Plant & Equipment	65,000
<b>Total Non-current assets</b>	<b>65,000</b>
<b>Total assets</b>	<b>100,693</b>
<b>Current Liabilities</b>	
Trade and other payables	(86,185)
<b>Total Liabilities</b>	<b>(86,185)</b>
<b>Net Assets</b>	<b>14,508</b>
<b>Equity</b>	
Issued Capital	60
Unpaid capital	35,633
Retained earnings	(10,051)
Current year's loss	(11,134)
<b>Total equity</b>	<b>14,508</b>

This information has been supplied by Management. We have not performed an audit or review of these financial statements. Given their relative size, nothing has come to our attention to suggest they have not been prepared on a reasonable basis.

Points to note are:

- the company has incurred expenditure maintaining title to the tenements. The cost of which remains outstanding at 31 May 2019.
- 35,633 of issued share capital has not yet been paid for.

## 6.2 North Iron Cap Pty Ltd (North Iron Cap)

North Iron Cap is a privately-owned mineral exploration company which was incorporated on the 15<sup>th</sup> May 2019. The company's major project is the North Iron Cap Project a summary of the Project. Details of current directors and shareholders are set out in the below along with a summary of the project.

The current director of North Iron Cap is:

- Steven Parnell

The current shareholders are as follows:

Shareholder	NIC Shares Held
Steven William Bernard Parnell	2

The North Iron Cap Project is a gold exploration asset located south of Southern Cross within the Forresteria Greenstone Belt, approximately 400km east of Perth. The project lies between the Bounty Gold Mine and the Forresteria Nickel Mine. The project vendor, North Iron Cap Pty Ltd, holds the gold rights in respect of M77/544, a tenement held by Western Areas Nickel Pty Ltd.

### Geology

The North Iron Cap prospect is located on the western limb of a regional scale syncline. It is one of several moderate sized, low-grade laterite/supergene gold prospects that strike between WNW and NE and dip shallowly to the east or southeast on the western edge of the Forresteria Greenstone belt.

The North Iron Cap supergene gold mineralisation is stratigraphically controlled within the gossanous metasediments, between meta-mafic lithologies. The mineralisation is hosted by an easterly dipping, north-northwest trending geological sequence, consisting of alternating high-magnesium basalt (with a strong schistose fabric) and metamorphosed tholeiitic basalt with interlayered metasediments, metavolcanics, banded-iron formation, cherts, black shale and acid meta-porphyrries. The mineralized sequence sub-crops and is generally continuous over 1.13km of strike and mineralisation occurs as lenses varying from 1 to 13 meters wide and 50 to 100 meters long.

The mineralised layer dips between 20 and 60 degrees to the east and in some areas flattens at depths greater than 50 meters. A surface depletion zone to about 10 meters depth is present, and weathering continues to a depth of 50-60 meters.

### Historical Financial Performance

Given the company was only incorporated on 15<sup>th</sup> May 2019 no financial information is currently available.

### 6.3 Kokoda Exploration Pty Ltd (Kokoda)

Kokoda is a privately-owned mineral exploration company which was incorporated on the 4<sup>th</sup> June 2018. The company's major project is the Calyerup Projects a summary of the Project. Details of current directors, shareholders and current Projects are set out in the below.

The current directors of Kokoda are as follows:

- Bruce Strapp,
- Nicola Gill

The current shareholders are as follows:

Shareholder	Kokoda Shares Held
Bruce John Strapp	500
Nicola Gill	500
<b>Total</b>	<b>1,000</b>

The Calyerup Project (E70/4998) (Figure 1) is located 375 kilometers southeast of Perth and 12 kilometers east of Jerramungup, and is owned by private company Kokoda Exploration Pty Ltd.

The Project covers a sequence of Archaean layered mafic granulite's of metasedimentary origin within the east-west trending lens 6km long and 0.5km wide. Small shallow historical gold workings are present at three main locations within the project area and modern exploration has confirmed this gold occurrence which has potential for small scale gold deposits.

#### Historical Production

Gold production has been recorded by the State Government from 1950 up until 1986. At each of the three-small excavation, termed the southern, central and North workings it has been reported that sulphidic quartz veins within the sheared quartz-sericite-biotite altered granulite's host the gold mineralisation.

#### Future Exploration

The Company intends to compile all previous exploration into a comprehensive database and then define mineralized areas that have potential to support production of small tonnages of high-grade gold mineralization suitable for trucking to regional processing centers. Such areas will be drilled to enable Mineral Resource estimation and subsequent economic assessment.

#### Past Exploration

Published Annual Exploration Reports (WAMEX 'a' number of reports) and Company ASX reports outline the previous exploration activities.

From 1976 to 1978, Otter Exploration and Seltrust carried out work in the area which consisted of a low-level aeromagnetic survey, geological mapping on a scale of 1:10,000 surface soil sampling of twelve lines totaling 14km, along with surface rock-chip sampling. Drilling of 14 RC drill holes on targets generated by the soil sampling.

In 1987, Otter Exploration took soil samples over the area on a 100m x 20m grid for multi element analysis. Numerous areas of gold, silver and arsenic anomalies were located.

In 1988, Aurelia Resources and Otter Resources conducted exploration on M70/260 which is encompassed by the current Calyerup Project. Costeans and RC drilling (CCRC13-18) was conducted on the project with prospective grades (WAMEX Report A26066).

### 6.3.1 Historical Financial Performance

We have been provided with the management accounts of the company for the year ended 31 May 2019

#### Statement of Financial performance for the year ended 31 May 2019

	2019
	\$
Income	-
Administration expenses	
Tenement costs	(40,328)
<b>Net loss for the Year</b>	<b>(40,328)</b>

#### Statement of Financial Position as at 31 May 2019

	2019
	\$
<b>Current Assets</b>	<b>10</b>
<b>Current Liabilities</b>	
Trade and other payables	(40,807)
<b>Total Liabilities</b>	<b>(40,807)</b>
<b>Net Assets</b>	<b>(40,797)</b>
<b>Equity</b>	
Issued Capital	10
Retained earnings	(479)
Current year's loss	(40,328)
<b>Total equity</b>	<b>(40,797)</b>

This information has been supplied by Management we have not performed an audit or review of these numbers. Given their relative size and simplicity, nothing has come to our attention to suggest they have not been prepared on a reasonable basis.

The only point to note is that the company has incurred expenditure maintaining title to the tenements. The cost of which remains outstanding at 12 September 2019.

## 7. Valuation Techniques

In assessing the value of the business or shares in a company being acquired, in this case the acquisition of 100% of the issued Share Capital of Ashburton Metals Group Pty Ltd, North Iron Cap Pty Ltd and Kokoda Exploration Pty Ltd, we have evaluated a range of valuation methodologies. RG 111 advises that it is generally appropriate for an expert to consider the methods set out below to value a company and its shares:

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

The valuation methodologies proposed by RG 111 can be split into three specific groupings, as follows:

- Market Based Methods;
- Income Based Methods; and
- Asset Based Methods.

### 7.1 Market Based Methods

Market based methods provide an estimated calculation of the fair market value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:

- industry specific methods.

Industry specific methods typically involve the use of industry "rules of thumb" to estimate the fair market value of a company and its securities. Normally, rules of thumb provide less definitive evidence of the fair market value of a company than other market-based valuation methods, because they may not take account of certain company-specific factors which affect their risk profile relative to industry competitors.

### 7.2 Income Based Methods

Income based methods estimate value by calculating the discounted present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow ("DCF") methods; and
- capitalisation of future maintainable earnings ("FME").

The DCF technique has an established foundation in published literature, calculating the price of a company based on the net present value of its future cash flows. It requires a breakdown of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the period under consideration. This method of valuation is appropriate when valuing companies where future cash flows can be predicted with a reasonable degree of confidence.

The capitalization of future maintainable earnings methodology is generally considered an abbreviated form of DCF, where an estimation of the FME of the business, rather than a stream of cash flows, is capitalised based on a chosen capitalisation multiple. Multiples are derived from the analysis of market transactions for companies in the same sector, and the trading multiples of comparable companies.

### 7.3 Asset Based Methods

Asset based methods estimate the fair market value of a company based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net tangible assets on a going concern basis.

The value achievable in an orderly realisation of assets is estimated by calculating the fair market value of the assets of a company which would be distributed to security holders after payment of all liabilities, including costs of realization and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold much faster, reflecting a distressed liquidation value. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method and is appropriate for companies in financial distress or when a company is not valued on a going concern basis.

The net tangible assets in a going concern method estimate the market values of the net tangible assets of a company but, unlike the orderly realisation of assets method, it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding purposes.

### 7.4 Selection of Valuation Methodology

After careful evaluation of the specific circumstances, we have selected the Net Asset Value as our primary model, with QMP, as our secondary model, to provide a cross-check on the NAV calculation.

The NAV model is considered appropriate for the following reasons:

- It is the underlying assets owned by Ashburton, North Iron Cap and Kokoda that Magmatic are acquiring
- None of the 3 companies being acquired are quoted, no similar business exists to use as a surrogate
- All three companies are newly incorporated and show little or no trading history
- No information is available in respect of FME hence using such a technique is not possible

Given the value of the companies being acquired is dependent on the projects they own, we have engaged Agricola Mining Consultants Pty Ltd to value the underlying assets of each entity.

Agricola have produced an Independent Valuation Report (refer Appendix 4) in accordance with the Australasian Code for Public Reporting of Technical Assessments and valuations of Mineral Assets (2015 Edition) (Valmin code) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) (JORC code).

We have reviewed in detail the content of the Independent Valuation Report and are satisfied with the work performed and methodology applied by Agricola. Agricola have prepared their report in accordance with industry practice and the report is compliant with the requirement of the Valmin and JORC codes.

As Magmatic's shares are listed on the ASX it is appropriate to consider using a QMP as a valuation methodology. However, to be considered appropriate as a basis for valuation the Company's shares should be liquid and active.

The remaining recommended valuation methodologies are considered not appropriate for the reasons set out below.

- All three companies being acquired are newly incorporated and have no history of earnings. Hence an FME based calculation is not an option.
- None of the companies being acquired have prepared reliable forecasts. Therefore, using an DCF approach is again not an option.

#### 7.4 Valuation of assets being acquired

Magmatic is seeking to acquire 100% of the issued shares of:

- Ashburton Metals Group Pty Ltd
- North Iron Cap Pty Ltd, and
- Kokoda Exploration Pty Ltd

Set out below in the NAV valuation of each company which is represented by the net assets of each company, where such information is available, adjusted for the valuation of mineral assets as set out in Agricola attached report.

##### Ashburton Historical Balance Sheet (\$)

	As at 31 May 2019	Low Value	Preferred Value	High Value
Net Assets	100,693	100,693	100,693	100,693
Total liabilities	(86,185)	(86,185)	(86,185)	(86,185)
Exploration Asset (as per Agricola Valuation)	-	780,000	950,000	1,110,000
Adjusted net assets	14,508	794,508	964,508	1,124,508

##### North Iron Cap was only incorporated on 15 May 2019 no Historical Balance Sheet available

	As at 31 May 2019	Low Value	Preferred Value	High Value
Exploration Asset (as per Agricola)	-	220,000	320,000	410,000
Adjusted net assets	-	220,000	320,000	410,000

##### Kokoda was incorporated on 4 June 2018 Historical Balance Sheet is set out below

	As at 31 May 2019	Low Value	Preferred Value	High Value
Exploration Asset (as per Agricola)		80,000	90,000	100,000
Total liabilities	(40,787)	(40,787)	(40,787)	(40,787)
Adjusted net assets	(40,787)	39,213	49,213	59,213

The combined position is as follows:

Adjusted net assets	As at 31 May 2019	Low Value	Preferred Value	High Value
Ashburton	14,508	794,508	964,508	1,124,508
North Iron	-	220,000	320,000	410,000
Kokoda	(40,787)	39,213	49,213	59,213
Combined	(26,279)	1,053,721	1,333,721	1,593,721

As shown above the net asset value of the three companies, therefore the value of the consideration is in the range of \$1.05m and \$1.59m, with a preferred valuation of \$1.33m.

As set out on pages 26 of its report Agricola have used the following methodologies to value each project:

- Geo Rating method, and
- Comparable transactions for tenements without defined mineral resources

Given the requirements of VALMIN code we concluded that these two methods are the most appropriate in this instance.

## 7.5 Net asset valuation of Magmatic

Set out below are the financial statements for Magmatic prior to the hiving off the NSW assets. In the pro-forma low, preferred and high value has been adjusted to reflect the value of MAG's assets post the divestment of the NSW assets.

Current Assets	As at 31 Dec 2018	Low Value	Preferred Value	High Value
Cash and cash equivalents	507,440	234,000	234,000	234,000
Trade and other receivables	83,413	83,413	83,413	83,413
<b>TOTAL CURRENT ASSETS</b>	<b>590,853</b>	<b>317,143</b>	<b>317,143</b>	<b>317,143</b>
<b>NON-CURRENT ASSETS</b>				
Plant & equipment	57,051	57,051	57,051	57,051
Security deposits	91,300	91,300	91,300	91,300
Exploration & evaluation expenditure	2,073,350	1,100,000	1,400,000	1,710,000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,221,701</b>	<b>1,248,351</b>	<b>1,558,351</b>	<b>1,858,351</b>
<b>TOTAL ASSETS</b>	<b>2,812,554</b>	<b>1,565,494</b>	<b>1,865,494</b>	<b>2,175,494</b>
<b>LIABILITIES</b>				
Trade & other payables	427,139	427,139	427,139	427,139
<b>Total liabilities</b>	<b>427,139</b>	<b>427,139</b>	<b>427,139</b>	<b>427,139</b>
<b>Net assets</b>	<b>2,385,415</b>	<b>1,138,355</b>	<b>1,438,355</b>	<b>1,748,355</b>

We have been advised, that except for the following there have been no significant changes in the net assets of MAG:

- Disposal of NSW assets in accordance with Resolution 1 of the NOM.
- Movement in cash balance as reported in MAG quarterly cash flow report at 30 June 2019 as follows:

Cash balance as at 31 December 2018	507,440
Cash movement in the period 1 January 2019 30 June 2019	(273,440)
Cash balance as per 30 June 2019 announcement	234,000

- Valuation of existing West Australian exploration assets.

We instructed Agricola to value the remaining Western Australian assets which consisted of Yamarna and Mt Venn. Based on Agricola's valuation these assets have a current value of:

	Low value	Preferred value	High value
Yamarna	910,000	1,170,000	1,430,000
Mt Venn	190,000	230,000	270,000
	1,100,000	1,400,000	1,710,000

Based on the above, following the disposal of its NSW assets, MAG has a value of between \$1.1million and \$1.75million, with a preferred value of \$1.44 million.

## 7.6 Net asset valuation of merged entity

Based on the revised net asset position of Magmatic and Ashburton, North Iron Cap and Kokoda the post merged entity has a net asset value as follows:

	Low value	Preferred value	High value
<b>NAV of MAG post adjustments</b>	<b>1,138,355</b>	<b>1,438,355</b>	<b>1,748,355</b>
<b>NAV of WA assets being acquired</b>	<b>1,053,721</b>	<b>1,333,721</b>	<b>1,593,721</b>
<b>Value of the proposed merged entity</b>	<b>2,192,076</b>	<b>2,772,076</b>	<b>3,342,076</b>
<b>Number of shares on issue following the acquisition</b>	<b>244,900,267</b>	<b>244,900,267</b>	<b>244,900,267</b>
<b>Value per share post-acquisition</b>	<b>0.0089</b>	<b>0.0113</b>	<b>0.0136</b>

The value of a share in the Proposed Merged Entity is between \$0.0089 and \$0.0136 with a preferred value of \$0.0113.

## 7.6 Quoted price of Magmatic's shares

As a secondary valuation methodology, we have assessed the quoted market price of a Magmatic share.

The quoted price of a share is reflective of a minority interest. In this instance the proposed transaction is a control transaction hence it is necessary to adjust the quoted market price to reflect a premium for control.

Magmatic made an announcement to the market on 7 June 2019. We have applied the share price post transaction, as this price is likely to reflect any change in value as a result of the proposed transaction. It is reasonable to assume the post announcement price reflects the value of the merged entity, assuming the market is confident that the transaction will be approved by shareholders.

The following chart shows the movements in share price since the announcement.



Since the announcement Magmatic share price reached a high of \$0.041 on 10 September 2019 and a low of \$0.014 on 8 July 2019 .

The Company has made the following announcement since announcing the proposed transaction on 7 June 2019.

- Quarterly Activities Report (31 July 2019)
- Quarterly Cashflow Report (31 July 2019)
- Response to Appendix 5B Query (7 August 2019)
- MAG and Blue Cap Mining North Iron Cap Partnership (26 August 2019)
- MAG Alkane Proximity (10 September 2019)
- MAG Signs Blue Cap Mining Agreement (11 September 2019)

To provide a reliable surrogate the QMP must demonstrate the characteristics of a deep market.

Clearly the volume of trade would suggest the market for Magmatic's shares are "shallow" with very few trades over the period since the announcement was made. However, failure of a company's securities to exhibit all the above characteristics does not necessarily mean the value of its shares cannot be considered relevant and given the lack of an alternative it would appear the methodology is appropriate.

Applying a control premium to Magmatic's market share price results in the adjusted share price being:

	Low	Midpoint	High
QMP	0.014	0.0275	0.041
Control premium	20%	25%	30%
QMP reflecting a premium for control	0.0168	0.0344	0.0533

## 7.7 Valuation of consideration Shares

The result of the application of the NAV and QMP methodology are set out below:

Valuation Method	Low \$	Preferred \$	High \$
NAV of proposed entity	0.0089	0.0113	0.0136
QMP (Post announcement)	0.0168	0.0344	0.0533

As shown above the QMP represents a higher value under all scenarios. It is not unusual for companies, and exploration companies in particular to have a QMP more than their asset value.

Given the lack of a deep market and the fact that the shares are tightly held by a small group of investors it would seem most appropriate to use the NAV basis for valuing the consideration shares.

Valuation of Consideration Shares	Low \$	Midpoint \$	High \$
NAV of proposed entity	0.0089	0.0113	0.0136
Number of proposed consideration shares	127,657,699	127,658,699	127,657,699
Value of consideration	1,136,153	1,442,543	1,736,144

## 7.8 Total Consideration

We set out below the total consideration:

Consideration	Low Value \$	Preferred Value \$	High Value \$
Consideration shares	1,136,153	1,442,543	1,736,144
Cash	170,000	170,000	170,000
Total consideration	1,306,153	1,612,543	1,906,144

### The Proposed Transaction

As stated in RG 111, a transaction is fair if the value of the consideration is equal to less than the Asset to be acquired. Set out below is a comparison between the value of the assets acquired and the consideration.

Consideration	Low Value \$	Preferred Value \$	High Value \$
Value of assets acquired	1,053,721	1,333,721	1,593,721
Value of consideration	1,306,153	1,612,543	1,906,144

As demonstrated above the value of consideration is more than the assets acquired so on that basis, we conclude the proposed transaction is not fair.

8. Is the proposed transaction fair?

RG 111 specifies that a transaction is considered reasonable if it is fair. As per 7.8 above, the consideration offered is less than the assets they acquire under the transaction, all be it marginally therefore the transaction is not-fair. The transaction might be reasonable if, despite not being fair, if there are enough reasons for the non-associated shareholders to accept the offer in the absence of a better alternative.

9. Is the proposed transaction reasonable?

We have considered the following factors in forming an opinion as to whether the proposed transaction is reasonable:

**The proposed transaction will increase the Company's exploration potential**

The acquisition of the three companies Ashburton, North Iron Cap and Kokoda will significantly increase the Company's gold resource base and exploration potential in Western Australia. All of the projects being acquired remain untested by recent drilling therefore there is potential for both increased resource tonnage but also for larger zones of mineralization.

**Strong Gold Prices**

The price of gold has increased significantly over the last twelve months from a low of USD \$1,176 per ounce in September 2018, to its current level of USD \$1,500/OZ in September 2019.

**Close Proximity**

From a management perspective having all assets located in Western Australia will make the Group easier to manage, but at the same time being more geographically concentrated.

**Disadvantages of Approving the Proposed Transaction**

**Existing shareholders are diluted**

As shown in section 5.5 of this report, if shareholders approve the proposed transaction the Company's share capital will increase from 117,232,568 to 244,900,267 shares. This will reduce current shareholders interest from 100% to 47.85%.

**Risk of not diversifying**

By investing in another Gold project Company is taking a risk of not diversifying. However, we note that junior exploration companies are generally considered high risk and reward investment for shareholders and therefore this is a normal risk for the given industry.

9.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the non-associated shareholders.

9.2 Consequences of not Approving the transaction

Non-associated shareholders will remain majority shareholders in the Company having in excess of 99% interest in Magmatic.

9.3 Conclusion

We have considered the terms of the proposed transaction, as outlined in the body of this report and have concluded that **the proposed transaction is not fair, but reasonable to the shareholders of Magmatic.**

Our report includes Appendices 1 to 4 and our Financial Services Guide.

Yours faithfully

ELERTON CAPITAL PTY LTD



Nick Hollens  
Director



Rafay Nabeel  
Director

## Appendix 1 – Sources of Information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Magmatic Resources Limited for the year ended 31 December 2018;
- Management accounts of Ashburton Metals Group Pty Ltd, North Iron Cap Pty Ltd and Kokoda Exploration Pty Ltd;
- Share registry information;
- Historical share trading of Magmatic as recorded by ASX to 11 September 2019;
- The Independent Agrícola Mining Consultants Pty Ltd report dated 10 September 2019 on the mineral assets of Magmatic prepared by Agrícola;
- Information in the public domain; and
- Discussions with Directors and Management of Magmatic.

Appendix 2 – Declarations and Disclosures  
*Independence*

Elderton Capital Pty Ltd is entitled to receive a fee of \$15,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, Elderton Capital Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

Elderton Capital Pty Ltd has been indemnified by Magmatic in respect of any claim arising from Elderton Capital Pty Ltd's reliance on information provided by the Magmatic, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement Elderton Capital Pty Ltd Pty Ltd has considered its independence with respect to Magmatic and any of its respective associates with reference to ASIC Regulatory Guide 112 "*Independence of Experts*". In Elderton Capital Pty Ltd's opinion it is independent of Magmatic and the related parties under review in this Report.

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

*Qualifications*

Elderton Capital Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

Elderton Capital Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the *Corporations Act 2001*.

The people specifically involved in preparing and reviewing this report were Nick Hollens and Rafay Nabeel of Elderton Capital Pty Ltd.

Mr Hollens has significant experience in the preparation of independent expert reports and valuations, as well as the provision of mergers and acquisitions advice across a wide range of industries in Australia and he was supported by other Elderton Capital Pty Ltd staff.

*Disclaimers and consents*

This report has been prepared at the request of Magmatic Management. Magmatic engaged Elderton Capital Pty Ltd to prepare an independent expert's report to include in the Notice of Meeting for the approval of the Resolution 2.

Elderton Capital Pty Ltd has not independently verified the information and explanations supplied to us. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld. It is not the role of Elderton Capital Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. Elderton Capital Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

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

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

Elderton Capital Pty Ltd has also considered and relied upon an independent mineral valuation for properties held by Magmatic.

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

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

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

### Appendix 3 – Glossary of Terms

Reference	Definition
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Elderton	Elderton Capital Pty Ltd
FOS	Financial Ombudsmen Service
FSG	Financial Services Guide
Going concern	A continuing business operation
NOM	Notice of Meeting
Our Report	This Independent Expert's Report prepared by Elderton Capital
RG111	Content of expert reports (March 2011)
RG112	Independence of experts (March 2011)
Shareholders	Shareholders of Magmatic
The Company	Magmatic Limited
M	Million

## Appendix 4 – Independent Valuation Report



**AGRICOLA MINING CONSULTANTS PTY LTD**

**INDEPENDENT VALUATION of the MINERAL ASSETS held by MAGMATIC  
RESOURCES LIMITED in WESTERN AUSTRALIA**

**Effective Date: 12 September 2019**



Georgius Agricola: De Re Metallica, 1556



Malcolm Castle  
Agricola Mining Consultants Pty Ltd  
P.O. Box 473, South Perth, WA 6951  
Mobile: 61 (4) 1234 7511  
Email: mcastle@castleconsulting.com.au  
ABN: 84 274 218 871

12 September 2019

The Directors  
Greenwich & Co and Elderton Capital.  
Level 2, 35 Outram St,  
West Perth WA 6005

Dear Sirs,

**Re: INDEPENDENT VALUATION of the MINERAL ASSETS held by MAGMATIC  
RESOURCES LIMITED in WESTERN AUSTRALIA**

**Effective Date: 12 September 2019**

Greenwich & Co and Elderton Capital (“Greenwich”) has engaged Agricola Mining Consultants Pty Ltd (“Agricola” or the “Specialist”) to provide a Mineral Asset Valuation Report (the “Report”) on mineral assets in New South Wales and Western Australia held by Magmatic Resources Limited (“Magmatic” or the ‘Company’). This report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the assets based on the information in this Report. The effective date of the valuation is 12 September 2019.

Agricola is independent of, and is perceived to be independent of, interested parties within the meaning of the VALMIN Code 2015, Section 4.2 and has a clear written agreement with the Company concerning the purpose and scope of the Specialist’s work. Agricola has prepared an Independent Technical Assessment Report for the Company based on the projects in New South Wales, dated January 2017 and had no professional engagement with Magmatic, and/or their subsidiaries and associates in the last two years prior to this assignment, which has been carried out on an independent professional basis.

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

**The Projects**

The **Yamarna Project** covers extensions to the Archean Dorothy Hills greenstone belt (trending NW and bisecting the tenement) is largely untested. This central greenstone

and coincident magnetic feature now require systematic geochemical sampling and follow up shallow drilling if warranted.

Previous exploration at the **Mt Venn Project** has highlighted numerous copper-nickel-cobalt prospects, with sampling of Mt Venn gossan outcrop by previous explorers. Detailed ground EM and heliborne VTEM surveys by previous explorers identified multiple conductors, some of which remain untested along a prospective 7km strike length.

Gold mineralization at the **Calyerup Project** occurs within a belt of shallow to steeply dipping granulites and gneisses approximately six by two kilometres in dimension. The mafic granulites as alternating pyroxene-rich and hornblende – plagioclase rich and identified the sequence as a metamorphosed analogue of the tholeiitic basalts found throughout the Eastern Goldfields of the Yilgarn Block.

The **Ashburton Project** includes the Lyndon Bettina Mine where in excess of 100t of ore was won from 3 stopes and 2 shafts to a depth of 9m. The ore reportedly averaged 3-5 oz (124 g/t). In the late 1980s. Loxton Mining recovered a further 29 tons of ore at an average 22g/t by open cut extension over the top of the previous workings.

Exploration on the **North Iron Cap Project** was ongoing from the mid-1980's with previous drilling and geological interpretation used to carefully target anomalous gold mineralisation within a sedimentary gossan. Historical resource estimations show diverse ranges of tonnes and grade depending on the parameters used. In 1999, the total in-situ mineralisation was assessed and can be considered as an Exploration Target in accordance with the JORC Code, 2012.

## Valuation Opinion

### VALUATION OPINION

#### *Summary of the Valuation Elements:*

	MARKET VALUE, A\$M		
	Low	High	Preferred
<b>Magmatic Resources Ltd</b>			
<b>MAG - Western Australia</b>			
Yamarna, WA	0.91	1.43	1.17
Mt Venn, WA	0.19	0.27	0.23
<b>Total</b>	<b>1.10</b>	<b>1.71</b>	<b>1.41</b>
<b>New Assets - Western Australia</b>			
Calyerup Project, WA	0.08	0.10	0.09
Ashburton Project, WA	0.78	1.11	0.95
North Iron Cap Project, WA	0.22	0.41	0.32
<b>Total</b>	<b>1.08</b>	<b>1.63</b>	<b>1.36</b>

*Based on an assessment of the factors involved, the estimate of the market value for the equity discussed in the report in the projects held by the Company is in the range of:*

*Yamarna Project*

**A\$0.91 million to A\$1.43 million with a preferred value of A\$1.17 million.**

*Mt Venn Project*

**A\$0.19 million to A\$0.27 million with a preferred value of A\$0.23 million.**

*Calyerup Project*

**A\$0.08 million to A\$0.10 million with a preferred value of A\$0.09 million.**

*Ashburton project*

**A\$0.78 million to A\$1.11 million with a preferred value of A\$0.95 million.**

*North Iron cap Project*

**A\$0.22 million to A\$0.41 million with a preferred value of A\$0.32 million.**

***This valuation is effective on 12 September 2019.***

This Mineral Asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain, and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the Spencer Test). It applies to the direct sale of existing equity in the Projects at the date of this Report.

## TENURE

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

A determination of the Status of Tenure is necessary and must be based on a sufficiently recent inquiry to ensure that the information is accurate for the purposes of the Report. Tenure that is Material must be or recently have been verified independently of the Commissioning Entity. (Adapted from VALMIN Code 2015, Clause 7.2)

<b>Magmatic Resources Ltd - Tenement Schedule as at 27/03/2019</b>						
<b>Tenement</b>	<b>Holder1</b>	<b>Area, SB</b>	<b>Area km2</b>	<b>GrantDate</b>	<b>ExpiryDate</b>	<b>Status</b>
<b>Yamarna Project, WA</b>						
E38/2918	LANI	20	60.00	10/11/15	9/11/20	LIVE
E38/3327	MODR	34	102.00	18/04/19	17/04/24	LIVE
E38/3312	MODR	63	189.00	04/09/19	03/09/24	LIVE
E38/3351	MODR	9	27.00	29/04/19	28/04/24	LIVE
<b>Mt Venn Project, WA</b>						
E38/2961	EL25	20	60.00	1/7/15	30/6/20	LIVE
Current Holders	MODR	MODELING RESOURCES PTY LTD				
	LANI	Landslide Investments Pty Ltd				
	EL25	Element 25 Limited				
<b>Calyerup Project, WA</b>						
E70/4998	KOK	3	9	22/1/18	21/1/23	LIVE
Current Holders	KOK	Kokoda Exploration Pty Ltd				
<b>Ashburton Project, WA</b>						
E08/2913	NOR	24	72	19/7/18	18/7/23	LIVE
E08/2883	ARM	54	162	6/9/17	5/9/22	LIVE
Current Holders	NOR	Northgate Mining Pty Ltd				
	ARM	Armstrong, Charles kenneth				
<b>North Iron Cap Project, WA</b>						
M77/544	WES	433.35Ha	4.3335	23/1/92	22/1/34	LIVE
L77/293	MtH	29.4Ha		Pending		
Current Holders	WES	Western Areas Nickel Pty Ltd				
	MtH	Mt Holland Mining Pty Ltd				

### *Details of the Company's Tenement Schedule*

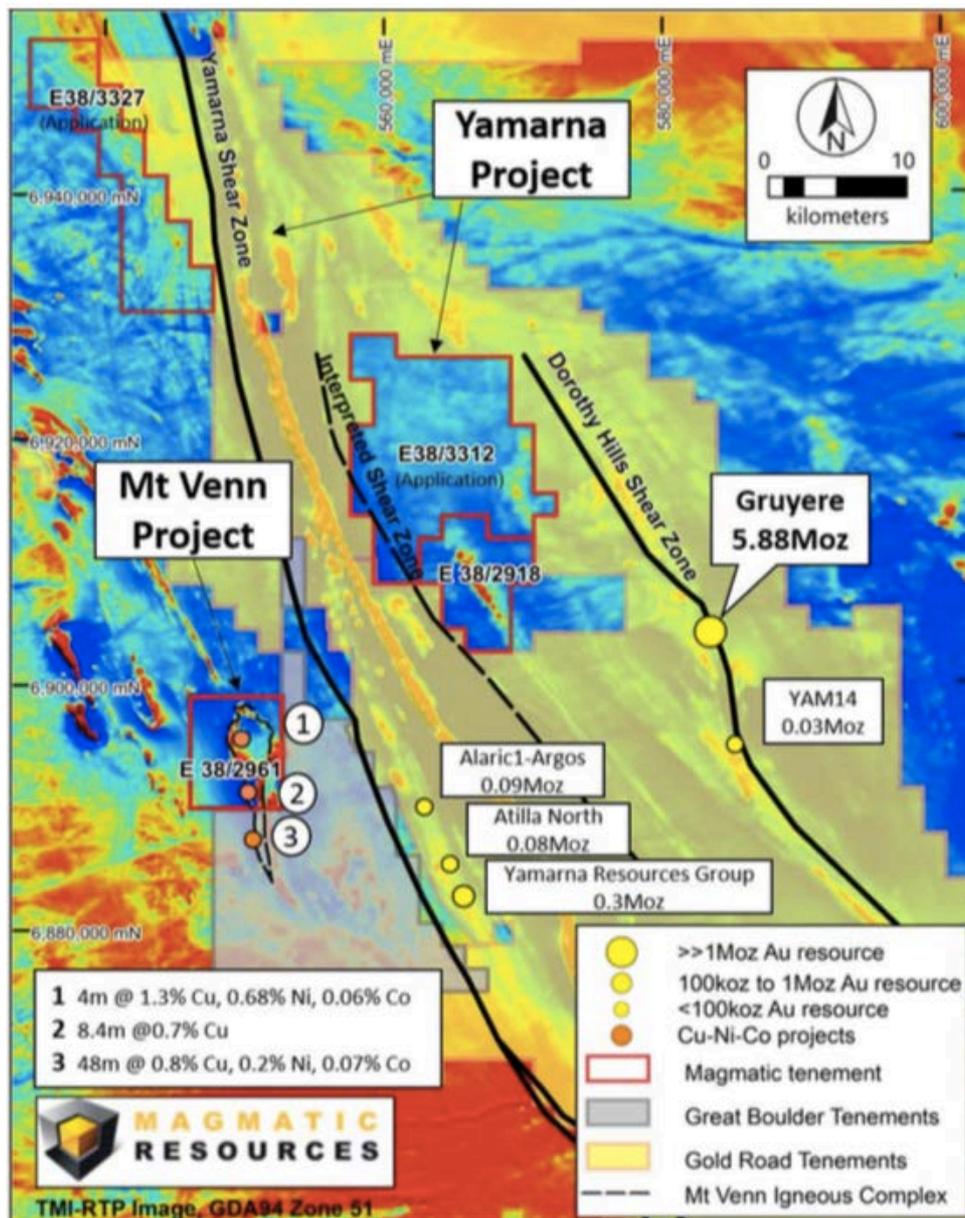
The status of the tenements has been reviewed and confirmed by reference to the online database of the Department of Industry, Resources and Energy, NSW, pursuant to section 7.2 of the Valmin Code, 2015. The tenements are believed to be in good standing.

The status of the tenure in Western Australia tenements has been verified based on a recent independent inquiry of the Department of Mines and Petroleum, WA, Mineral

Titles On Line database (source: www.dmp.wa.gov.au) by Agricola, pursuant to section 7.2 of the Valmin Code, 2015. The tenements are believed to be in good standing based on this inquiry. Expenditure commitments have been expended in full and rent payments are up to date. Agricola is not aware of any outstanding matters that may affect the conduct of exploration on the tenements in a timely manner.

### YAMARNA/MT VENN PROJECT, WA

The Mt Venn project is located in the Eastern Goldfields Province of Western Australia, within the Cosmo-Newberry Aboriginal Reserve. The tenement is located 150km along the Great Central Road northeast of Laverton. The tenement lies 20 km south of the main road and is easily accessed by well tracks maintained by the Cosmo Newberry Community. Several minor tracks traverse the tenement crossing the hills in various locations.



## **Yamarna Project, WA**

Exploration Licence E38/2918 Yamarna Project is located approximately 900kms NE of Perth, 150kms east of Laverton in central WA, access via the Laverton-White Cliff Rd or the Laverton-Warburton Rd which runs through the northern portion on the tenement.

### *Regional Geology*

The Yamarna Project covers the most easterly Archaean age greenstone belts in the Yilgarn Craton. Trending north west to south east, the Yamarna greenstone belt is over 170 kilometres in strike length and attains a thickness of up to 12 kilometres in the vicinity of the project area. The greenstone sequence is in faulted contact with plutonic igneous rocks of similar age, including quartz diorites, granites and quartz migmatites. The greenstone belt is partially covered by Permian age glacial sediments.

Rock-types within the greenstone belt include ultramafic through mafic and felsic volcanics, banded iron formation and silty to sandy sediments. The Yamarna Greenstone sequence as mapped near the Yamarna homestead (located 5kms east of the tenement), comprises from west to east:

- felsic tuffs and sediments, including mylonite
- layered ultramafics comprising an ultramafic olivine cumulate zone constituting approximately 5% of the unit, and a gabbroic plagioclase cumulate zone, a thin package of greywackes and
- mafic volcanics, probably basalt
- gabbro
- granodiorite that extends for at least 20 kilometres along strike and marks a contact between the mafic sequence to the west and a dominantly felsic sequence to the east
- felsic tuffs and sediments
- mafic volcanics and sediments

Previous exploration by Texasgulf interpreted the zonation of the ultramafic sequence along the western margin of the Yamarna Greenstone Belt as indicating the sequence was overturned. The western side of the greenstone belt is characterised by the development of intense shear and mylonite zones, particularly along rock unit contacts.

The sequence has been metamorphosed to amphibolite grade. The sequence is highly foliated with the dominant foliations and layering striking northwest and dipping moderately to steeply to the east.

### *Local Geology*

Gold mineralisation at the Attila South deposit (located to the west of the tenement) is hosted by laminated quartz-mica-amphibole schist units interpreted to be altered and sheared mafic volcanics and sediments. The deposit forms part of a gold anomalous structural corridor termed the Attila - Alaric trend that has been traced north by drilling for over 12 kilometres.

Drilling results indicate that high-grade mineralisation occurs as: narrow (1-2m thick) gently plunging or horizontal shoots within a broader low-grade envelope up to 50 metres in thickness. Mineral lineations plunge shallowly to the north and fold axes plunge shallowly to the south.

Brittle east-west fracture zones, interpreted from aeromagnetic data, are characterised by quartz veining and hematite alteration in drillcore. This alteration shows no evidence of hosting gold mineralisation. However locally the fracture zones may control the location of gold mineralisation.

Minor mineralisation also occurs in narrow quartz veins along the margins of the internal granitoid and the margins of the ultramafic unit.

The Dorothy Hills greenstone belt (to the east of the tenement) is poorly exposed. The geology of the greenstone belt has been established through geological mapping, aeromagnetic interpretation and bedrock drilling as the majority of the tenements in the Dorothy Hills area are blanketed by windblown sands.

The Dorothy Hills belt comprises a narrow NNW trending sequence of Archaean foliated amphibolite, probably meta-basalt. The belt is flanked to the west and to the east by Archaean biotite-quartz-feldspar granite gneiss. The greenstones are partially assimilated and stopped out by a suite of late granite intrusions. The area is partially overlain by Permian glacial deposits of the Paterson Formation.

### *Previous Exploration*

Previous exploration by Texasgulf interpreted the zonation of the ultramafic sequence along the western margin of the Yamarna Greenstone Belt as indicating the sequence was overturned. The western side of the greenstone belt is characterised by the development of intense shear and mylonite zones, particularly along rock unit contacts.

Limited exploration has been completed on the tenement area.

WMC completed some soil sampling along the southern tenement boundary in 1997 and Eleckra completed 16 shallow RAB drill holes through the central portion of the tenement, attempting to test the large magnetic anomaly that runs NW/SE through the tenement area.

### *Exploration Potential*

The Kurrajong North Prospect hosts largely unexplored extensions of the Dorothy Hills greenstone belt in the Yamarna Terrane. The gold potential is enhanced by the presence of newly mapped fault zones in the vicinity of “syntectonic” granite intrusions, and the proximity to known gold mineralisation to the SE (at Gold Road Resources Ltd.’s major gold project “Gruyere”). The competent granite intrusions create favourable conditions to localise and dilate secondary faults related to the main fault zones.

The 6km long magnetic feature represents extensions to the Archean Dorothy Hills greenstone belt (trending NW and bisecting the tenement) is largely untested. This central greenstone and coincident magnetic feature now require systematic geochemical sampling and follow up shallow drilling if warranted.

### **Mt Venn Project, WA**

#### *Regional Geology*

The Mt Venn Project lies in the Eastern Goldfields. The regional geology of the Mt Venn area consists of folded Archean age sedimentary and volcanic rocks which are intruded by granites. The Permian Paterson Formation overlies much of the area, but outcrops of greenstones have been mapped in several areas, including Mount Venn.

The Mt Venn area consists of mafic and felsic intrusives and extrusives and sedimentary rocks of variable metamorphic grade from greenstone to amphibolite facies (Figure 3). The mafic rocks are most abundant in the north-east. Towards the west, there is a transition through generally felsic rocks to banded iron formation, which marks the western boundary of the Mt Venn area.

#### *Local Geology*

E38/2961 covers about 60% of the Mt Venn Intrusion. Most of the Mt Venn Intrusion consists of a series of gabbros and pyroxenites with a dip ranging from 70 degrees E in the south and 40 degrees SE in the north. The central to south-east portion of the Mt Venn Intrusion is dominated by leucogabbro with occasional pegmatoidal pyroxenite pods of dimensions that are generally <5m<sup>2</sup>.

Iron oxide rich gossans are developed along strike and up dip of sulphide-rich layers at surface. A prominent, sinuous magnetic high in the SSE on the intrusion is represented by strongly foliated sericite-rich schist with abundant coarse crystalline magnetite and pyrite. Medium grained granite outcrops on the north eastern portion of the tenement and intrudes into the Mt Venn intrusion with several granitic dykes emanating into the intrusion from this area. The entire sequence is disturbed by several north-west trending structures with apparent lateral displacements of less than one kilometre.

Two relatively linear magnetic highs with fuzzy character coincide with the occurrence of probably pillow basalts, interflow sediments and spinifex sheaf textured rock which may be structurally emplaced by movement of strike parallel faults.

Mineralisation to date is identified as small amounts of chalcopyrite and pentlandite sulphides in disseminated to massive sulphide phases dominated by pyrrhotite and pyrite. The sulphides tend to be associated with the coarser (+1cm) pyroxene-rich phases in the mafic/ultramafic sequence.

Late stage remobilisation along regional structures appears to have occurred. A basal sulphide unit is also interpreted on the western edge of the intrusion. Copper carbonate minerals are common particularly within late stage tensional quartz vein blows. Coarse grained crystals of pyrite and magnetite are present in sericite-chlorite schist on the southern end of the Mt Venn Intrusion but are not known to have economic minerals associated.

The tenement area is blanketed by shallow alluvial and aeolian sandy cover 1- 2m thick. Weathering of the basement is generally to a depth less than 20m.

#### *Previous Exploration*

Elmina (later Quadrant Australia) held two tenements E38/68 and E38/69 between 1993 and 2002. E38/69 overlaps with the western part of E38/2961. The work completed on the tenements includes geological interpretation of aeromagnetic and Landsat data, rock chip sampling and 1000m x 250m spaced soil sampling (McIntyre, 2003). All samples were analysed for gold and a selection for Ni and Cu. Four anomalies were defined (Lang's Find, Mt Cummings West, Rutter Soak West and Mt Scott East) none of which are on E38/2961. Most of the assays were in the 3-20ppb range and the peak value was 720ppb Au. The company joint ventured with Helix Resources in 2000, but Helix only carried out work on E38/68.

Helix Resources held E38/1000 which covers the same area as E38/2961. The work completed by Helix includes RC drilling and ground EM. Global Nickel Investments, later renamed Global Nickel Metals held E38/1000 as part of their Jutson Rocks Project which included several tenements towards the northwest covering the Jutson Rocks Greenstone Belt. The work completed by Global Metals includes a VTEM survey, RC and AC drilling and soil sampling.

#### *Recent Exploration*

Magmatic have completed a prospectivity review of the tenement as well as a study of previous work. Magmatic has located the geophysical data from previous explorers and is planning to model.

#### *Exploration Potential*

Previous exploration at E38/2961 has highlighted numerous copper-nickel-cobalt prospects, with sampling of Mt Venn gossan outcrop by previous explorers. Detailed

ground EM and heliborne VTEM surveys by previous explorers identified multiple conductors, some of which remain untested along a prospective 7km strike length.

### **Calyerup Project**

Calyerup project spans from the Fitzgerald River to Rabbit Proof Fence Road and is approximately 12Km east of Jerramangup township. Access to the project is made via 4WD and walking tracks.

#### *Regional Geology*

The Calyerup Creek prospect located on the southern margin of the Yilgarn Block close to the contact with the Albany Fraser mobile belt. The greenstone sequence is uncharacteristic of Archaean greenstone belts in the Yilgarn having an east-west strike orientation. The greenstone belt has an actuate nature and is wrapped around the southern flank of a granite dome which is a younger Proterozoic intrusive event related to the pyroxene granites of the Albany–Fraser Province. The east-west orientation of the belt and its predominantly southward dip are thought to derived from the emplacement of this granite dome to the north.

A large volume of granite porphyry and pegmatite rocks also intrudes the greenstones. The lithologies mainly consists of Archaean hornblende rich granulites and gneisses. The Calyerup Creek Au workings are located within a remnant of the old Archaean sediments.

#### *Project Geology*

The project covers an area of Archean mafic granulite and calc-silicate gneiss within predominantly Archean granitoid terrain. The granulites form a broad S-shaped belt following the southern margin of the main granitoid (the Calyerup Creek Granite) lying north of the lease area. Dimensions of the belt are approximately 6 kilometres by 0.5 kilometres. The thickest section of the granulite sequence occurs in the northeast, elsewhere the belt is comprised of a complex arrangement of irregular granulite lenses interspersed with large masses of a feldspar-quartz porphyry.

The mafic granulites are fine grained and predominantly layered on a millimetre to decimetre scale and are described as being alternating pyroxene - rich and hornblende - plagioclase rich. Porphyroblastic pyroxene and/or amphibole aggregates lie within the layering. Alteration is not widespread outside mineralized (or sulphidic) zones with the most common alteration products being fibrous amphibole (after pyroxene) and sericite and epidote (after plagioclase). The mafic granulite sequence as a metamorphosed analogue of tholeiitic basalts found throughout the Eastern Goldfields Province of the Yilgarn Block.

Layering within the granulites is parallel or sub-parallel to the southern margin of the Calyerup Creek granite, striking 060 degrees in the east to 105 degrees in the west. Dips are generally moderate (35 degrees to 50 degrees) to the southwest or southeast.

### *Mineralisation*

Gold mineralization at Calyerup Creek occurs within a S shaped belt of shallow to steeply dipping granulites and gneisses approximately six by two kilometres in dimension. The mafic granulites as alternating pyroxene-rich and hornblende – plagioclase rich and identified the sequence as a metamorphosed analogue of the tholeiitic basalts found throughout the Eastern Goldfields of the Yilgarn Block. Folding is rarely observed in outcrop.

At the Southern Workings, gold mineralisation is associated with sulphide mineralisation within fine to medium grained, layered mafic granulites. The sulphides include pyrrhotite, arsenopyrite and pyrite with lesser chalcocopyrite. The mineralised zone is concordant to the layering, which dips 55° north and ranges in width from 1 metre to 8 metres. Gold mineralisation at the Central and Northern Workings occurs within massive sub-concordant quartz veins preferentially distributed within shear zones. The host rock is similar to that at the Southern Workings. Silicification and sulphide mineralisation, including pyrite, arsenopyrite, pyrrhotite and chalcocopyrite is associated with the quartz-bearing shear zones. The mineralised zone dips 45° south-east at the Central Workings and 40-65° east at the Northern Workings.

The Au bearing lodes in the central and southern workings appear as pegmatite like structures that were injected into the sedimentary unit. Pegmatites are themselves unusual rock units as they often contain many elements that are “rejected” by the cooling granite – and in this case the rejected elements may have included Au that may have been in a greater concentration in the surrounding Archaean rocks. The northern workings of the Calyerup Creek prospects did not have obvious pegmatitic lodes outcropping to the surface, with the workings appearing over altered kaolinitic clays (altered pegmatites?), and chalcedonic quartz / sulphidic layers within the Archaean sedimentary units.

### *Historical Production*

Gold production has been carried out on the area. The first record of production was from 1950 to 1969 when State Battery records show a total of 215.83 tonnes of ore was treated with an overall grade of 15.65g/t Au. The second phase of production occurred from 1981 to 1985 and was reported to be 815 tonnes.

### *Historical Exploration*

In 1988, Aurelia Resources and Otter Resources conducted exploration on M70/260 which is encompassed by the current Calyerup Project. Costeans and RC drilling was conducted on the project with prospective grades.

A mineral resource estimation was historically conducted based off the drilling completed at the southern workings, insufficient information was present across the central and northern workings to complete a mineral resource estimation. A specific gravity of 2.4 was used in the calculations

In 2011, Temby Minerals Pty Ltd explored the Calyerup Creek project. An RC drilling program was carried out, consisting of 14 holes on the north prospect and 7 holes in the central prospect. Prospective results for Au were received from the sampling program. All these drill holes are located on the current tenure.

### **Ashburton Project, WA**

The Lyndon Project area is located in the Ashburton Mineral Field in the Gascoyne region of Western Australia. The Lyndon Station homestead, situated 10km south of the project area, is located 360km south west of Karratha.

#### *Regional Geology*

The Gascoyne Complex is underexplored compared to other provinces in Western Australia. The Gascoyne Regional Prospectivity Analysis suggests the Lyndon Project is prospective for Orogenic gold.

The Lyndon Project has been explored sporadically since the middle of last century with exploration focused on areas of known mineralisation and minor workings.

There is potential to discover further mineralisation at the Lyndon Bettina Mine. The mine area remains incompletely explored. High grade mineralisation discovered in recent drilling remains open to the east and at depth. Numerous IP targets at Lyndon Bettina have also not yet been adequately explored.

Systematic geochemical exploration of the wider tenement area using modern sample analysis systems such as MMI or even auger drilling with conventional assay or XRF analysis to see through the transported cover, has not been undertaken. There is good potential to discover geochemical anomalism throughout the project area, particularly below transported cover where the sub- cropping geology is obscured.

#### *Local Geology*

The geology north of Lyndon station comprises early Proterozoic schist, gneiss and migmatite (some of which appear to have been derived from a more mafic protolith), which are aligned to the northwest and bounded by muscovite-biotite granites and granodiorites. Locally the granodiorites appear to have undergone prograde metamorphism which has led to the development of quartz- muscovite schists which commonly host feldspar-tourmaline pegmatites particularly in the west of the project area near Daylight Well. All of these units are intruded by late Proterozoic dolerites and gabbros, forming dykes and sills that also appear to have been subjected to the regional deformation.

The development of Cainozoic laterites is poor, however, silcrete and calcrete commonly appears to be developed above the low lying but exposed mafic units particularly the late Proterozoic dolerite and gabbro. Approximately 40 to 50% of the project area comprises outcrop, which is restricted to low lying hills surrounded by

areas of shallow slope scree, sheet-wash and Quaternary alluvium which generally drains towards the northwest.

### *Mineralisation*

Gold mineralisation located to date is restricted to quartz veins hosted in the early Proterozoic schists and gneisses of the Morrissey Suite with minor copper mineralisation adjacent to and within the dolerite intrusives. The gold mineralisation is commonly associated with malachite, chalcopyrite and minor galena with a highly variable structural orientation.

Mineralised quartz generally has a “waxy” to “sugary” appearance and often brecciated and laminated with hematite and limonite fracture infill. The veins are generally narrow, less than 0.5m, though veins up to several metres across can occur such as that at Thirty Bob Well. Another visual indicator of mineralisation is the occurrence of malachite. Visible gold, although rare, has been recorded at the Bettina-Lyndon Station Mine.

Mineralised vein orientations vary from east-west striking, which includes the Bettina-Lyndon Station (Bettina), Eric’s Find and Eric’s Find South prospects, to northeast-striking, which include the Thirty Bob Well, Broken Thumb and Eric’s Find West prospects. Of these prospects the best grades are found at the Bettina lodes that averaged several ounces per tonne Au when mined in the 1950s, and the Eric’s Find vein which commonly returns assays over 10g/t Au. Both of these veins have east-west orientations.

### *Eric’s Find*

Apart from Bettina, Eric’s Find is the most prospected area reviewed by IRG. The area is extensively pitted and there are many piles of finely crushed vein material in and around the pits, suggestive of extensive dollying. There are no shafts or larger pits and no evidence of ore processing. Vein material has strong copper carbonate staining, and goethite fracture fill. Up to 2% Chalcopyrite mineralisation is noted in many specimens adjacent to pits and costeans. Specimens adjacent to Costean 9 showed strongly vesicular texture part filled with Yellow oxide material suggestive of low iron sphalerite or jarrosite

In 2010 CSA Global completed 8 RC holes at Eric’s find on IRG’s behalf. A total of 401 metres were drilled testing the depth extension of a copper gold silver mineralised quartz vein dipping 20 degrees to the north with a strike of approximately 80 degrees, and a surface extent of 50m. The drill holes did not intersect significant widths of mineralised quartz. No visible copper mineralisation was detected.

### *Eric’s Find West*

The area comprises a number of shallow prospecting pits centred on one main quartz vein that extends for 300 metres over the southern zone. In the north the vein is

obscured under alluvium for 230m and then out crops for a further 300 m. Figure 9 shows the general layout of the Eric's Find West prospect and IRG sample locations.

#### *Lyndon Bettina Mine*

Past production is known from the Lyndon Bettina Mine where in excess of 100t of ore was won from 3 stopes and 2 shafts to a depth of 9m. In the late 1980s. Loxton Mining recovered a further 29 tons of ore at an average 22g/t by open cut extension over the top of the previous workings.

#### **North Iron Cap, WA**

The North Ironcap deposit is located approximately 30 km south of the Bounty Gold Mine, about 5 km west of the Marvel Loch – Forrestania Road. The prospect is located on granted Mining Lease M77/544.

#### *Regional Geology*

The Forrestania Greenstone belt is the southern extension of the north-south trending Southern Cross Greenstone belt, which is a narrow (2.5 – 20 km wide) belt approximately 350 km in length. The belt is a supracrustal structure bounded by Archaean granite/gneiss, which has been intruded by Archaean granites/pegmatites and subsequently intruded by east-trending Proterozoic dolerite dykes. (Figure 1.) The Forrestania Greenstone belt comprises a thick volcanic pile overlain by psammitic/pelitic schists that form a large, regionally north-plunging synclinal structure (Figure 2.). The North Ironcap deposit is located on the western limb of this regional scale syncline. It is one of several moderate tonnage, low-grade laterite/supergene deposits that strike between WNW and NE and dip shallowly to the east or southeast on the western edge of the belt.

#### *Prospect Geology*

The North Ironcap supergene gold mineralisation is stratigraphically controlled within gossanous meta-sediments, between meta-mafic lithologies. The deposit is hosted by an easterly dipping, north-northwest trending geological sequence, consisting of alternating high-magnesium basalt (with a strong schistose fabric) and metamorphosed tholeiitic basalt with interlayered metasediments, metavolcanics, banded-iron formation, cherts, black shale and acid metaporphyries (Figure 3.). The mineralised sequence is generally continuous over 1.13 km of strike (i.e. local grid 5300N to 6430N).

The mineralised zone is overlain by black shale, which appears to have acted as a physical barrier to supergene remobilisation in all but a few areas. The overlying komatiite and footwall tholeiite are likewise relatively barren of gold.

The gossanous metasediments vary from pallid friable (occasionally talcy) clay, strong ferruginous indurated saprock, cherty gossanous sediments, to fresh massive sulfides. A sulfide zone forms at 60-80m depth south of 6200N, the pyrite is anhedral to

subhedral and forms a disseminated matrix supported by siliceous metasediment towards the base of the unit. The metasediments pinch and swell from 5m to 45m in width and are crosscut by a 30m wide Proterozoic dolerite dyke trending 080 degrees at 5400N. Mineralised lenses vary in width from 1m to 13m and elongate pods appear at 5350N and 5450N, and between 5800N and 5850N. Discontinuous subparallel lenses form between 5850N and 6150N. Mineralisation shallows in dip at 50m below the surface and becoming subhorizontal between 6300 to 6250N.

Mineralisation on the hanging wall region of the gossanous metasediment is concentrated above the base of oxidation. The ore zone outcrops on surface as a siliceous ferruginous gossanous sediment between 5200N and 6175N and is continuous to approximately 60m depth. Hanging wall mineralisation is associated with strong limonitic-goethitic stained, often indurated saprock and moderate to strong limonitic-goethitic stained chert. To a lesser extent grade occurs in strong hematitic-stained saprock, brecciated quartz veining, grey argillite and minor translucent quartz veining.

The gossanous sediment is overlain by black shale. The shale is often clayey, generally graphitic with varying ferruginisation and occasional zones of weak silicification. The shale varies in width from 2m to 25m. Stratigraphically overlying the black shales are high- magnesium hangingwall basalts (“komatiitic schists”). The basalt has weathered to pallid, mottled and occasionally strongly ferruginous indurated clay and foliated saprock.

#### *Past Exploration*

Exploration on this prospect was ongoing from the mid-1980's with previous drilling and geological interpretation used to carefully target anomalous gold mineralisation within a sedimentary gossan. Historical resource estimations show diverse ranges of tonnes and grade depending on the parameters used, for example, within a pit design or an indicated resource. In 1996, Normandy proposed six (6) pits to be mined ranging in depth from 10 metres to 55 metres. However, to date no production has taken place.

Previous metallurgical testing has shown that this ore is slightly refractory and may need grinding to approximately 63 microns to gain a recovery of 85%.

Historical resource estimations show diverse ranges of tonnes and grade depending on the parameters used. In 1999, the total in-situ mineralisation was assessed. The estimate is not considered to be in accordance with JORC Code 2012.

## **VALUATION CONSIDERATIONS**

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

Exploration mineral assets are defined as mining and exploration tenements held or acquired in connection with the exploration, and development of mineral resources estimated in accordance with the JORC Code (2012 Edition).

The VALMIN Code 2015 defines fair market value of a mineral asset as the estimated amount of money or the cash equivalent or some other consideration for which, in the opinion of the Specialist reached in accordance with the provisions of the VALMIN Code, the mineral asset should change hands on the effective valuation date between a willing buyer and a willing seller in an arm's length transaction, wherein each party has acted knowledgeably, prudently and without compulsion.

The VALMIN Code notes that the value of a mineral asset usually consists of two components; the underlying or Technical Value which is independent of external influences, and the Market component which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or neutral. When the Technical and Market components of value are assessed the resulting value is referred to as the Market Value. Values are usually expressed as a range of estimates from Low to High to emphasise the risk and assumptions and a Preferred value.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change. These issues can influence the market's perception of a mineral asset over and above its technical value.

### **Independence**

The valuation specialist must have the appropriate qualifications and exploration experience relevant to the commodity being valued, so that the requirements of the VALMIN Code 2015 can be satisfied. Experience and qualifications must be explained, and the specialist should be independent of the commissioning entity.

Specialists must ensure that they exercise their independence and do not succumb to client pressure to produce a desired result. The client often has a vested interest in whether a valuation is on the high side, as, for example in a take-over defence, or the low side, as, for example in an assessment of tax liability. Specialists must remain true to their professional obligations and ethics and resist any such pressure.

The valuation report should be clear, reasonable, transparent and logically presented, and explain why and who requested the valuation. It should explain why certain methods were used and others were not, and any limitations on their applicability. It must contain all the material information necessary to allow both experts and non-

experts to understand how the valuation was derived, including a description of the key risks, assumptions, limitations, and uncertainties.

Finally, and most importantly, the valuation must be consistent with values likely to be assigned in real life.

It should compare the result with previous valuations of the property if available.

#### Rounding to Significant Figures

Estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the mineral occurrence and on the available sampling results. Reporting of figures should reflect the relative uncertainty of the estimate by rounding off to appropriately significant figures and to emphasize the imprecise nature of a Mineral Asset Valuation. (Adapted from JORC Code 2012, Clause 25)

Given the subjectivity of the valuation methods used for exploration properties, it is not usually sensible to produce values more detailed than the nearest \$0.1 million for significant projects or the nearest \$10,000 for lesser projects. The final valuation is an experience-based judgement and it should always be expressed as a range from Low to High and a Preferred value in order to reflect the uncertainty and subjectivity of the estimate.

#### Reasonableness and Transparency

Transparency requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of material information. (VALMIN Code 2015, clauses 3.3)

Reasonableness requires that an assessment that is impartial, rational, realistic and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation. (VALMIN Code 2015, clauses 4.1)

### **Methods of Valuing Mineral Assets**

#### Valuation Methodology

Values should preferably be derived using a primary and a secondary method to ensure reasonableness and transparency. The methods applied depend on the nature of the valuation, the development status of the mineral property and the extent and reliability of available information. There are three generally accepted valuation approaches in the mining industry:

**Income Approach.** Based on expected future benefits, usually in the form of discounted cash flow analysis.

**Market Approach.** Based on actual sales or comparable transactions.

**Cost Approach.** Based on an assessment of perceived prospectivity in various categories (Geoscience Factors) or contribution to value through past exploration expenditures (Prospectivity Enhancement Multipliers).

The valuation of a mineral exploration project is an imperfect process, in part due to inadequate information on numerous value drivers, but also to the common ad-hoc application of overly simplistic valuation methodologies such as rules-of-thumb.

Valuation Approach	Valuation Method
Income	Discounted Cash Flow (DCF)
	Monte Carlo Simulation of DCF
	Real Option
	Actual Transactions on Property
	Comparable Transactions on projects at a similar stage
Market	Comparable Transactions – Value per unit of metal
	Comparable Transactions – Value per unit of area
	Rules of Thumb
Cost	Option, Farm In, JV Agreement Terms
	Geoscience (Geo Rating) Factor
	Appraised Value
	Multiple of Exploration Expenditure
Company	Market Capitalisation
	Enterprise Value
	Book Value

Summary of Valuation Methods for Mineral Assets

When dealing with early-stage exploration projects, where a potentially economically viable deposit has not yet been identified and delineated, the valuation methodologies used are inevitably reliant upon subjective opinion. Such methods generally rely upon previous or anticipated future expenditure (the cost-based approach) and a comparison with the sales prices of projects with similar characteristics (the market-based approach). To lessen the shortcomings of each method, specialists adjust the impact of real world value drivers by ad-hoc market or 'industry experience' factors. The primary valuation methods advocated by Agricola are the Comparable Transactions method for mineral resource estimates and the Geo Factor method for exploration ground. The two methods can be adapted to either asset class as a secondary valuation method

#### *Rules of Thumb*

Exploration is a high risk, uncertain process. The underlying value drivers are interconnected, and their relationship may be non-linear. The uncertain value drivers include size, prospect qualities, exploration models, project maturity and the supply and demand for exploration projects. The complexity of these value drivers has resulted in the widespread use of heuristic or rule-of-thumb valuation methods.

While by definition, rules-of-thumb are simple to use, they are likely to be fundamentally flawed, and their use is akin to undertaking a feasibility study on an exploration hypothesis (ie large amount of technical information building on an uncertain starting block - the idol with feet of clay).

Furthermore, if the valuation process were as simple as some of these methods suggest, there would be no need for a professional mineral asset specialist. However, the specialist generally has access to sufficient market information and valid tools to estimate a more realistic value.

#### *Mineral Resources - Comparable transactions method*

There are no mineral resource estimates in accordance with the JORC Code 2012 within the Company's tenements

#### *Exploration Ground – Geo Rating Method*

When valuing an exploration or mining property without resources, the Specialist is attempting to arrive at a value that reflects the potential of the property to yield a mineable Ore Reserve and which is, at the same time, in line with what the property will be judged to be worth when assessed by the market.

It is obvious that on such a matter, opinions are based entirely on professional judgement, where the judgement reflects the Specialist's previous geological experience, local knowledge of the area, knowledge of the market and so on, that no two Specialists are likely to have identical opinions on the merits of a particular property and therefore, their assessments of value are likely to differ.

The most commonly employed methods of exploration asset valuation are:

- Geo Factor (Geoscience) rating methods such as the Kilburn method (potential based); - assessing various aspects relating to future prospectivity; (The Primary Method)
- Comparable market value method – Comparing other mineral asset sales with the current mineral asset, usually on the basis of value per unit area (The Secondary Method), and
- Multiple of exploration expenditure method (exploration based) also known as the premium or discount on costs method or the appraised value method – assessing the value outcome of previous exploration expenditure (considered to be less reliable).

It is possible to identify positive and negative aspects of each of these methods. The Specialist must be cognisant of actual transactions taking place in the industry in general to ensure that the value estimates are transparent, reasonable and realistic.

In Agricola's opinion, a Specialist charged with the preparation of a tenement valuation must give consideration to a range of technical issues as well as make a

judgement about the 'market'. Key technical issues that need to be taken into account include:

Exploration Ground – Technical Value

- Evidence of mineralization and mines on adjacent properties;
- Proximity to existing production facilities of the property;
- Geological setting of the property;
- Existing mineralized deposits within tenement boundaries;
- The relative size of the landholding;
- Proportion of prospective ground within tenement boundaries
- Results of exploration activities on the tenement;
- Implications for future successful exploration outcomes;

The Geo Rating method generally works on the principle that the acquiring party is primarily concerned with the ongoing expenditure commitments, prospectivity and market appeal of a project. Valuations that are based on future prospectivity are not generally accepted by the Toronto Stock Exchange but are common on the Australian Securities Exchange. The use of expenditure commitments required by Mines Departments in various jurisdictions for small tenement can have a distorting effect on the initial holding cost and a standard rate per unit area (base holding cost) is preferred as a starting point.

The most common geoscientific methods in Australia are variations of the Kilburn method<sup>1</sup>. The method is an attempt to quantify the value of an exploration project by taking into account anticipated exploration expenditure commitments and other holding costs such as rent and administration and applying factors that take into account the:

- o location – proximity to areas with demonstrated exploration merit. This is also known as the off-property factor
- o maturity – previous level of activity within the project. This is also known as the on-property factor
- o success – whether the project is known to contain mineral anomalism. This is also known as the anomaly factor
- o prospectivity – what proportion of the geology of a project is conceptually prospective (a non-uniform distribution). This is also known as the geological factor
- o time and circumstance – a market adjustment factor which takes into account commodity, financial and stock markets in addition to the mineral project markets (eg demand versus supply of tenements). This is also known as the market factor

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<sup>1</sup> Kilburn, L C, 1990. Valuation of mineral properties which do not contain exploitable reserves; *CIM Bulletin*, 83:90-93.

The rationale behind the Geo Rating method is that the average cost incurred to stake and hold a base unit area (km<sup>2</sup>) of a mineral tenement for a period of 12 months, the base holding cost (BHC), represents the absolute minimum value of the unit area of a tenement, else it would be relinquished.

Compounding multipliers are applied to the BHC in an attempt to replicate the acquiring party's evaluation process by taking into account location, maturity, success, prospectivity and the market. The theory is that if the correct factors are applied, the resultant figure should amount to the fair market value.

Rating	Off Property Factor	On Property Factor	Anomaly Factor	Geological Factor
0.1				Unfavourable geological setting
0.5			Extensive previous exploration gave poor results	Poor geological setting
0.9			Poor results to date	Generally favourable geological setting, undercover
1	No known mineralisation in district	No known mineralisation on lease	No targets outlined	Generally favourable geological setting
1.5	Minor workings	Minor working or mineralised zones exposed	Target identified, initial indications positive	
2	Several old workings in district	Several old workings or exploration targets identified		
2.5				Significant grade intercepts evident, but not linked on cross or long sections
3	Mine or abundant workings with significant previous production	Mine or abundant workings with significant previous production		
3.5			Several economic grade intercepts on adjacent sections	

#### *Summary of the Geo Rating Factors*

The strength of the Geo Rating method is that it is transparent, quick, easy to apply and uses a consistent starting point (BHC) for the valuation process.

The specialist must specify the key aspects of the valuation process and must specify and rank aspects that enhance or downgrade the intrinsic value of each property. The intrinsic value is the BHC described below.

The Geo Rating method systematically assesses and grades four key technical attributes (factors) of a tenement to arrive at a series of multiplier factors, usually as a range of values.

The factors are then applied to the BHC and area of each tenement or group with the values being multiplied together to establish the overall technical value of each

mineral property. Adjustments are made for the status of the tenure (live or pending) and for equity held in the projects.

A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value. An overview of the factors influencing the current market is outlined in more detail in a later section.

The successful application of this method depends on the selection of appropriate factors that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor.

Exploration Ground – Comparable Transactions Method, \$/square Km; Prospectivity Index	
Group	Characteristics
A	Greenfields Projects with prospective geology; may include extensive exploration history and some areas of interest. Some areas yet to be explored  Comparable Transactions, A\$ per square kilometre: A\$1,000 to A\$3,000; Prospectivity Index Range - <2 to 5; Count - 9; Median - 1680; Mean - 1,500; Sdev - 25
B	Mineralised Regional area Adjacent to known small scale resources or old workings  Comparable Transactions, A\$ per square kilometre: A\$3,000 to A\$6,000; Prospectivity Index Range - 5 to 10; Count - 8; Median - 4,250; Mean - 3,000; Sdev - 50
C	Mineralised areas of interest within tenements with significant exploration encouragement  Comparable Transactions, A\$ per square kilometre: A\$6,000 to A\$8,000; Prospectivity Index Range - 10 to 20; Count - 6; Median - 7,600; Mean - 7,000; Sdev - 1500

*Agricola is philosophically attracted to the Geo Factor type of approach because it endeavours to implement a system that is systematic and defensible. It also takes account of the key factors that can be reasonably considered to impact on the exploration potential.*

#### Secondary Method

A secondary method to the Geo Rating method for exploration ground may involve assessing the tenement area on the basis of comparable transactions principles (\$ per unit area) as a test of reasonableness and transparency.

#### *Base Holding Cost (BHC)*

The keystone of the method is the Basic holding Cost (BHC, also known as the base acquisition cost, BAC). The concept of the BHC is the minimum initial budget required to acquire, maintain and explore a tenement for the first year. It assumes no previous

exploration has been carried out (or is not available or relevant) and that exploration will commence based on desktop review and concept generation.

The BHC assumes that projects are classed as early exploration projects without defined mineral resources as a starting point. The use of minimum annual expenditures (Exploration Commitments) applied in many jurisdictions tends to distort the BHC. For example, an application for an Exploration Licence in Western Australia for 6 or 20 blocks incurs the same minimum expenditure requirement of \$20,000 implying a BHC ranging from \$333 to \$1111 per km<sup>2</sup>.

Similar adjacent tenements may be grouped together and the initial budget considered in terms of the combined reporting regime. The BHC is expressed on a dollar per square kilometre basis regardless of Expenditure Commitments for individual tenements and an indicative conceptual budget (BHC\*Area) must be realistic and reasonable. Different practitioners use slightly differing approaches to calculate the BHC.

- Australian Holding Costs

It may be argued that on occasions an exploration licence may be converted to a mining lease for strategic reasons rather than based on exploration success, and hence it is unreasonable to value such a mining lease starting at a relatively high BHC compared to that of an exploration licence. In Agricola's opinion, exploration ground where no mineral resources have been estimated should be valued on the basis of an Exploration Licence without regard to the actual tenement type.

Agricola has researched and reviewed information on application fees, annual rent and exploration commitments for the states of Australia. The valuation metrics for the Australian States and Agricola's preferred BHC and are rounded in accordance with the JORC Code.

Conceptual Minimum Year 1 Exploration Program							
Average BHC values for each State, A\$/km <sup>2</sup>							
	WA	NSW	QLD	TAS	NT	SA	VIC
Application Fee	15	15	15	17	10	15	20
Annual Rent	30	25	35	30	40	15	35
Exploration Commitment	350	380	400	275	375	300	375
Administration	35	30	40	28	35	30	30
Total	430	450	490	350	460	360	460

Source: State Government publications and websites; Agricola estimates

- Advanced projects where Mineral Resources have been estimated in accordance with the JORC Code

The Geo Rating method is considered to be the most appropriate for valuing exploration projects where Mineral resources have not yet been estimated. The method may also be used as a secondary valuation method for areas with estimates of mineral resource. In Agricola's experience and opinion, an exploration budget will escalate to cover the costs of mineral resource definition and estimation and more advanced feasibility work. This activity would include RC and Diamond drilling and metallurgical test work.

The preferred Exploration cost for advanced projects with mineral resource estimates will be project specific and estimated at the time of valuation and a review of the project information. A range of \$1000 to \$3000 or above is suggested as a guide.

#### Market Value

In addition to these technical issues the Specialist has to take particular note of the market's demand for the type of property being valued. Obviously, this depends on professional judgement. As a rule, adjustment of the technical value by a market factor must be applied most judiciously. The comparable transactions approach is often based on sales at the market value. However, the market factors may have changed over the period of the transaction data (2016 – 2019). It is Agricola's view that an adjustment of the technical value of a mineral tenement should only be made if the technical and market values are materially different.

#### Market Value

- Legal issues; Native Title; State and National reserves and restrictions
- Commercial issues; royalties; Joint Venture/Farm In; Administration Risk
- Market Conditions; supply and demand
- Commodity Price outlook
- Country Risk
- Community resistance
- Competing projects

It is Agricola's opinion that the market may pay a premium over the technical value for high quality mineral assets (i.e. assets that hold defined resources that are likely to be mined profitably in the short-term or projects that are believed to have the potential to develop into mining operations in the short term even though no resources have been defined).

On the other hand, exploration tenements that have no defined attributes apart from interesting geology or a 'good address' may well trade at a discount to technical value. Deciding upon the level of discount or premium is entirely a matter of the Specialist's professional judgement. This judgement must of course take account of the commodity potential of the tenement, the proximity of an asset to an established processing facility and the size of the land holding.

## Agricola's Preferred Valuation methodology

The Magmatic Valuation Report – VALMIN 2015

The author of this report (the Technical Specialist) is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM") and therefore, is required to prepare mineral asset valuations in accordance with the Australian reporting requirements as set out in the VALMIN Code (2015 Edition) and the JORC Code (2012 Edition).

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

### Exploration Ground - Geo Rating Method

Agricola is of the opinion that the Geo Rating method provides the most appropriate approach to the exploration potential of mineral properties on which there are no defined resources.

An estimate of technical value is compiled for the tenements based on an assessment of off site, on-site, anomaly and geology factors applied to the base holding cost. The exploration ground has been valued on the basis of the Geo Rating as the primary method.

A secondary method is applied to the exploration ground as a check reviewing comparable transactions for tenements without defined mineral resources (\$/km<sup>2</sup>) and a database is included in the appendix to this Report. The two methods were compared to ensure the estimates are reasonable and transparent.

Mineral Assets Classification	
Advanced exploration projects	<p><u>Mineral assets with Mineral Resources</u> - A Mineral Resource estimates have been compiled and sufficient work has been undertaken on at least one prospect to provide encouragement that a Scoping Study or Feasibility Study can be compiled;</p> <ul style="list-style-type: none"><li>• Projects: None</li></ul> <p>Valuation Methods:</p> <p>Primary: Comparable Transactions - \$/oz</p> <p>Secondary: Geo Rating</p>
Early stage exploration projects	<p><u>Mineral assets in the exploration stage</u> - Tenure holdings where exploration has been undertaken and specific areas of interest identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological</p>

sampling. Mineralization may or may not have been identified, but where Mineral Resources have not been assessed;

- Projects: Yamarna/Mt Venn Project, Calyerup, Ashburton and North Iron Cap Projects

Valuation Methods:

Primary: Geo Rating

Secondary: Comparable Transactions - \$/km<sup>2</sup>

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### **VALUATION OF THE EXPLORATION GROUND**

The Geo Rating Method (also known as the Kilburn Method) converts a series of experience and scientific opinions about a property into a numeric evaluation system. The success of this method relies on the selection of factors that reflect the tenement's prospectivity.

The issues that need to be addressed for exploration properties include:

Possible extensions of mineralization from adjacent areas

Mineralization delineated within the tenements

Areas of interest within in the tenement group

Geological setting of the project

## Tenement Status, Equity and Grant Factor

The Tenement Schedule is included in the Appendix of the report. Four groups are recognised as set out in the following table. The Mineral Resources tenements are valued by the Comparative Transactions method. The Live exploration tenements are valued by the Geo Rating method. No value has been ascribed to the two pending tenements.

Magmatic Resources Ltd					
Group	Status	Grant Factor	No	Area, km2	Equity
<b>MAG - Western Australia</b>					
Yamarna, WA	LIVE	1.0	5	378.00	100%
Mt Venn, WA	LIVE	1.0	1	60.00	100%
<b>New Assets - Western Australia</b>					
Calyerup Project, WA	LIVE	1.0	1	9.00	100%
Ashburton Project, WA	LIVE	1.0	2	234.00	100%
North Iron Cap Project, WA	LIVE	1.0	1	4.33	100%

### *Base Holding Cost and Minimum Initial Budget*

The BHC is the important input to the Geo Rating Method. Advanced tenements such as Mining Leases may attract a higher expenditure than early stage exploration Licences. The current BHC for exploration projects or tenements at an early stage is the average expenditure for the first year of the licence tenure per square kilometre. (Refer to earlier discussion of BHC).

The BHC for Western Australian tenements is established at \$430 per square kilometre. North Iron Cap is a very small tenements with significant drilling that may lead to resource assessment. A BHC of \$2,500 is considered appropriate in recognition of the Mineral Lease and the quantum of mineralisation delineated (the Exploration Target).

The BHC and tenement area are combined to suggest the minimum initial budget as a starting point for the Geo Factor valuation method. It represents the exploration cost for the initial period of the tenement.

### *Prospectivity Assessment Factors*

#### Geo Ratings

The method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied to the holding cost (BHC) of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. The four technical attributes are:

The geo factors were arrived at after careful consideration of the results so far obtained and the potential for future discoveries based on a predetermined scale

(please see the earlier Valuation Considerations section). A discussion of the geology and prospectivity is included in the Project Review section of the Report.

The factors reported below represent averages of the group of tenements and are consistent with the Landgate Report.

#### Off-Site

Location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies. Physical indications of favourable evidence for mineralization, such as workings and mining on the nearby properties. Such indications are mineralized outcrops, old workings through to world-class mines;

#### On-Site

Nature of any mineralization, geochemical, geological or geophysical anomaly within the property and the tenor (grade) of any mineralization known to exist on the property being valued. Local mineralization within the tenements and the application of conceptual models within the tenements. Location and nature of any mineralization, geochemical, geological or geophysical anomaly within the property;

#### Anomalies

Geophysical and/or geochemical areas of interest and the number and relative position of anomalies on the property being valued. Identified anomalies warranting follow up within the tenements. Geophysical and/or geochemical areas of interest and the number and relative position of anomalies on the property being valued;

#### Geology

Geological patterns and models appropriate to the property being valued. The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors;

In Agricola's opinion the Geo Rating (Kilburn) method provides the most appropriate approach in the technical valuation of the exploration potential of mineral properties on which there are no defined resources.

Agricola considers that the initial proposed budget for the Project is reasonable and consistent with the location, area and concepts of the project areas and that the expenditure is warranted and justified on the basis of the historical exploration activity and demonstrated potential for discovery of mineralization.

#### Secondary Valuation Method-Comparable Transactions (\$/km<sup>2</sup>)

Agricola has chosen to apply a second valuation method to the Market Value of the projects and is satisfied that given the stage of exploration, comparable transactions in the mining industry for projects without Mineral Resources may be applied to the projects as a guide to value per square kilometre and the database included in the appendix applies to early-stage projects generally. The tertiary method of Comparable Transactions based on \$/square kilometre is based on market transactions

A comparison of the methods supports the validity of the other valuation estimates. This is considered to be reasonable and transparent as required by the VALMIN Code (2015) based on the earlier discussion in the Report and taking into account the Company's equity position and the tenement status.

Agricola prefers the Geo Rating valuation (Primary Method) as representative of the technical value. The method directly considered the geological features of the individual tenements and the perceived prospectivity.

**PRIMARY VALUATION METHOD**

Magmatic Resources Ltd	GEO RATING SUMMARY									
	Yamarna, WA		Mt Venn, WA		Calyerup Project, WA		Ashburton Project, WA		North Iron Cap Project, WA	
<b>Primary Method</b>										
No. of Tenements	5		1		1		2		1	
Status	LIVE		LIVE		LIVE		LIVE		LIVE	
Area, km2	378.00		60.00		9.00		234.00		4.33	
BHC, \$/km2	430		430		430		430		2500	
Budget, \$	162,500		25,800		3,900		100,600		10,800	
<b>Geo Factors</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>
Off Property	1.50	1.70	1.50	1.70	2.00	2.20	1.70	1.90	2.25	2.50
On Property	1.20	1.40	1.50	1.70	2.00	2.50	1.70	1.90	3.00	3.00
Anomaly	1.50	1.70	1.50	1.70	2.20	2.50	1.70	1.90	2.00	2.25
Geology	2.00	2.20	2.00	2.20	2.00	2.20	1.50	1.70	1.50	2.25
Prospectivity Index	5.40	8.90	6.75	10.81	17.60	30.25	7.37	11.66	20.25	37.97
Technical Value										
Low, \$	878,000		174,000		69,000		741,000		219,000	
High, \$	1,446,000		279,000		118,000		1,173,000		410,000	
Preferred, \$	1,162,000		227,000		94,000		957,000		315,000	
Pref. Unit Rate, \$/km2	3,070		3,780		10,440		4,090		72,690	
Equity	100%		100%		100%		100%		100%	
Grant Factor	1.00		1.00		1.00		1.00		1.00	
Technical - Equity Value including Grant Factor										
Low, \$	878,000		174,000		69,000		741,000		219,000	
High, \$	1,446,000		279,000		118,000		1,173,000		410,000	
Preferred, \$	1,162,000		227,000		94,000		957,000		315,000	

## SECONDARY VALUATION METHOD

TENEMENTS	Comparable Transactions (\$/km2) Secondary Method							
	A\$/square km		Area, km2	Grant Factor	Equity	Equity - Technical Value, A\$		
	Low	High				Low	High	Preferred
<b>Secondary Method</b>								
<b>MAG - Western Australia</b>								
Yamarna, WA	2500	3750	378.00	1.0	100%	945,000	1,418,000	1,182,000
Mt Venn, WA	3500	4500	60.00	1.0	100%	210,000	270,000	240,000
<b>New Assets - Western Australia</b>								
Calyerup Project, WA	9000	10000	9.00	1.0	100%	81,000	90,000	86,000
Ashburton Project, WA	3500	4500	234.00	1.0	100%	819,000	1,053,000	936,000
North Iron Cap Project, WA	Not appropriate due to small size of tenure area							

## TECHNICAL VALUE SUMMARY

The Technical Value represents the intrinsic value of the mineral asset without regard to external market factors.

Geofactors are allocated to each of the tenements as shown in the preceding chart. The Low and High Technical Value is estimated by multiplying Equity, Grant factor and budget (BHC \* Ares in km<sup>2</sup>) by the Prospectivity Index (off Property \* On Property \* Anomaly \* Geology). Preferred value is the average of high and Low values.

SUMMARY TECHNICAL VALUE		Average of Values		
Magmatic Resources Ltd	Technical Value, A\$M			
	Low	High	Preferred	
<b>MAG - Western Australia</b>				
Yamarna, WA	0.91	1.43	1.17	
Mt Venn, WA	0.19	0.27	0.23	
<b>Total</b>	<b>1.10</b>	<b>1.71</b>	<b>1.41</b>	
<b>New Assets - Western Australia</b>				
Calyerup Project, WA	0.08	0.10	0.09	
Ashburton Project, WA	0.78	1.11	0.95	
North Iron Cap Project, WA	0.22	0.41	0.32	
<b>Total</b>	<b>1.08</b>	<b>1.63</b>	<b>1.36</b>	
<i>Technical Values rounded to nearest \$10,000</i>				

Values have been rounded as required by VALMIN 2015

## MARKET VALUE

### Market Premium or Discount

Values of Mineral Assets are volatile in nature and show marked cyclicity. In boom times the market in Australia may pay a premium over the technical value for high quality Assets (i.e. assets that hold defined resources that are likely to be mined profitably in the short-term or projects that are believed to have the potential to develop into mining operations in the short term even though no resources have been defined). On the other hand, in times of bust conditions exploration tenements that have no defined attributes apart from interesting geology or a good address may well trade at a discount to technical value.

Other considerations may play a part in ascribing a premium or discount. Deciding on the level of discount or premium is entirely a matter of the technical expert's professional judgment. This judgment must, of course, take account of the commodity potential of the tenement, the proximity of an asset to an established processing facility and the size of the landholding.

The market for gold projects is considered to be neutral with a number of competing projects available worldwide. Market influences are largely incorporated into the Geo Ratings and

Comparable Transactions. Agricola considers that no premium or discount should be applied to the exploration ground in the projects. A Market Factor of 1.00 is applied to the Technical Value.

### Market value Summary

MARKET VALUE						USE PRIMARY METHOD
<b>Magmatic Resources Ltd</b>		<b>MARKET VALUE, A\$</b>				
		<b>Market Value, A\$</b>			<b>Preferred Value Metric</b>	
	<b>Factor</b>	<b>Low</b>	<b>High</b>	<b>Preferred</b>	<b>km2</b>	<b>\$/km2</b>
<b>MAG - Western Australia</b>						
Yamarna, WA	1.00	0.91	1.43	1.17	378	3,100.00
Mt Venn, WA	1.00	0.19	0.27	0.23	60	3,890.00
<b>Total</b>		<b>1.10</b>	<b>1.71</b>	<b>1.41</b>	<b>438.00</b>	
<b>New Assets - Western Australia</b>						
Calyerup Project, WA	1.00	0.08	0.10	0.09	9	10,000.00
Ashburton Project, WA	1.00	0.78	1.11	0.95	234	4,040.00
North Iron Cap Project, WA	1.00	0.22	0.41	0.32	4	73,840.00
<b>Total</b>		<b>1.08</b>	<b>1.63</b>	<b>1.36</b>	<b>247.33</b>	
<i>Market Value = [Market Factor]*[Technical Value]</i>						
<i>Technical Values rounded to nearest \$10,000</i>						

Total Values have been rounded as required by VALMIN 2015

### VALUATION OPINION

#### Summary of the Valuation Elements:

MARKET VALUE, A\$M			
Magmatic Resources Ltd	Low	High	Preferred
<b>MAG - Western Australia</b>			
Yamarna, WA	0.91	1.43	1.17
Mt Venn, WA	0.19	0.27	0.23
<b>Total</b>	<b>1.10</b>	<b>1.71</b>	<b>1.41</b>
<b>New Assets - Western Australia</b>			
Calyerup Project, WA	0.08	0.10	0.09
Ashburton Project, WA	0.78	1.11	0.95
North Iron Cap Project, WA	0.22	0.41	0.32
<b>Total</b>	<b>1.08</b>	<b>1.63</b>	<b>1.36</b>

*Based on an assessment of the factors involved, the estimate of the market value for the equity discussed in the report in the projects held by the Company is in the range of:*

*Yamarna Project*

**A\$0.91 million to A\$1.43 million with a preferred value of A\$1.17 million.**

*Mt Venn Project*

**A\$0.19 million to A\$0.27 million with a preferred value of A\$0.23 million.**

*Calyerup Project*

**A\$0.08 million to A\$0.10 million with a preferred value of A\$0.09 million.**

*Ashburton project*

**A\$0.78 million to A\$1.11 million with a preferred value of A\$0.95 million.**

*North Iron cap Project*

**A\$0.22 million to A\$0.41 million with a preferred value of A\$0.32 million.**

***This valuation is effective on 12 September 2019.***

This Mineral Asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain, and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the Spencer Test). *It applies to the direct sale of existing equity in the Projects at the date of this Report.*

## **DECLARATIONS, RISK, TENURE and INDEPENDENCE**

### **Declarations**

#### *Scope of the Valuation Report*

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

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

This is commonly known as the *Spencer Test* after the Australian High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value of a property<sup>2</sup>. In attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is assumed that the property will be put to its “highest and best use”.

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

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

The main requirements of the Valuation Report are:

- Prepared in accordance with the ‘Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets’ (‘VALMIN Code 2015’) and the ‘Australasian Code for Reporting of Exploration Results, Mineral resources and Ore Reserves’ (‘JORC Code 2012’);
- Contain all the information that investors and their professional advisers would reasonably require and expect to find to make an informed decision on the subject of the report;
- Experience and qualifications of key personnel to be set out;
- Details of valuation methodologies to be described;
- Reasoning for the selection of the valuation approach adopted explained;
- Details of the valuation calculations included; and
- Conclusion on value as a range with a preferred value.

The report includes the following:

- A competent person’s statement, that demonstrates the requirements of a practitioner under section 2.2 of the VALMIN Code 2015;
- The basis of the consideration and approximate fee for the report to comply with section 6.3 of the VALMIN Code 2015; and
- Compliance with section 7.2 of the VALMIN Code 2015, relating to Status of Tenure.

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<sup>2</sup> *Spencer v. Commonwealth* 5 CLR 418, 1907.

### *Relevant codes and guidelines*

This Report has been prepared as a Valuation Report in accordance with the Australasian Code for Public Reporting of Technical Assessment of Mineral Assets (the “VALMIN Code”, 2015 Edition), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the ASIC which pertain to Independent Expert Reports (Regulatory Guides RG111 and RG112, March 2011). Agricola regards RG112.31 to be in compliance whereby there are no business or professional relationships or interests, which would affect the expert’s ability to present an unbiased opinion within this report.

Where exploration results and Mineral resources have been referred to in this report, the information was prepared and first disclosed under the *Australasian Code for Reporting of Exploration Results, Mineral resources and Ore Reserves* (“JORC Code” 2012), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia.<sup>3</sup>

### *Sources of Information*

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

In compiling this report, Agricola did not carry out a site visit to the Project areas. Based on its professional knowledge, experience and the availability of extensive databases and technical reports made available by various Government Agencies and the early stage of exploration, Agricola considers that sufficient current information was available to allow an informed appraisal to be made without such a visit.

This Report may contain statements that are made in or based on statements made in previous geological reports that are publicly available from either a government

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<sup>3</sup> ASIC, 2011, Content of Expert Reports, Regulatory Guideline 111, March 2011.

ASIC, 2011, Independence of Experts, Regulatory Guideline 111, March 2011.

JORC, 2012. Australasian Code for Reporting of Exploration Results, Mineral resources and Ore Reserves (The JORC Code)

VALMIN, 2015, Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code)

department or the ASX. These statements are included in accordance with ASIC Corporations (Consents to Statements) Instrument 2016/72 (clauses 6 and 7).<sup>4</sup>

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

#### *Qualifications and Experience*

The person responsible for the preparation of this report is:

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

Malcolm Castle has over 50 years' experience in exploration geology and property evaluation, working for major and minor companies for throughout his career as an exploration geologist including Kennecott, Amoco, Esso, Plutonic, Laverton Gold, Transcontinental Resource Group, Fortescue Metals Group and BMG Ltd.

He established a consulting company over 30 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including precious metals, base metals, nickel, cobalt, iron ore, coal, mineral sands, uranium, sulphate of phosphate, specialty metals including rare earths, scandium, lithium and vanadium over his professional career.

He has been responsible for project discovery and exploration through to feasibility study in Papua New Guinea, Australia, Fiji, South Africa, Indonesia and Brazil and technical audits in many overseas locations including Juneau, Alaska, Francistown, Botswana, Lynn Lake, Manitoba, Canada, Lubumbashi, Democratic Republic of the Congo, Asmara, Eritrea, Rawas, Sumatra, Indonesia, Letseng, Lesotho, Antananarivo, Madagascar, Windhoek, Namibia, Tolukuma, Papua New Guinea, Luzon and Manila, Philippines, Rotifunk and Boamahun, Sierra Leone, Pilgrim's Rest, Mpumalanga, South Africa, Karamoja, Uganda, Copper Belt, Kitwe, Zambia and Matobo, Zimbabwe.

He has completed numerous Independent Technical Assessment Reports and Mineral Asset Valuation Reports on properties in a number of countries over the last decade as part of his consulting business.

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

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<sup>4</sup> ASIC Corporations (Consents to Statements) Instrument 2016/72, 11 March 2016.

been a Member of the Australasian Institute for Mining and Metallurgy (AusIMM) for over 50 years.

Mr Castle is the Principal Consultant for Agricola Mining Consultants Pty Ltd, an independent geological consultancy.

- Mr Castle is appropriately qualified geologist and is a member of a relevant recognized professional association;
- He has the necessary technical and securities qualifications, expertise, competence and experience appropriate to the subject matter of the report; and
- He has at least ten years of suitable and recent experience in the particular technical or commercial field in which he is to report.

Agricola or Malcolm Castle is not aware of any new information or data, other than that disclosed in this Report, that materially affects the assessments included in this Report and that all material assumptions and parameters underpinning Exploration Results and Mineral resource Estimates continue to apply and have not materially changed.

### **Risks for Exploration Companies**

The VALMIN Code (Section 10) suggests a Public Report should include an evaluation of the risks likely to apply to the Mineral Assets under consideration. A risk evaluation includes an analysis of the uncertainties inherent in the assumptions made and the effects they may have on the outcome. A Practitioner should report upon the likelihood of deviating from base assumptions.

These may include delays in completion or commissioning of projects; major changes in operating practices; or possible difficulties with new or scaled-up technologies, especially where such factors may have a significant effect on the technical or financial viability of the Mineral Assets.

Agricola has identified a range of risk elements or risk factors, which may affect the exploration outcomes of the Company's Projects. Some of the risk factors are completely external, which is beyond the control of management. However, advance planning can mitigate the project-specific risks.

Risks inherent in exploration and mining include, among other things, successful exploration and identification of Mineral resources; satisfactory performance of mining operations if a mineable deposit is discovered; and competent management.

Risks may arise with respect to the availability, uncertainty and quality of data and other information, including, but not limited to:

- *Exploration Risk:* Mineral exploration is high risk and there is potential for ALT and follow up resource drilling at the Company's Projects may fail to delineate sufficient Reserves to justify either a toll-treat or stand-alone mining operation.
- *Metallurgical and Processing Risks:* The metallurgy of mineral deposits may present challenging metallurgical issues that may lead to an increase in operating and/or

capital costs, or alternatively adversely affect valuations and project economics of the Tenement Project.

- *Land Owners:* Failure to execute agreements relating to access and mining with the local landowners could impair exploration and/or development at key projects.
- *Financial Position:* The Company does not currently have the financial reserves to fully evaluate all of its exploration projects and is likely to be dependent on raising capital from the equity markets in the medium term.
- *Infrastructure Risks:* Delays in infrastructure (port, roads) have the potential to significant delay production plans for the Tenement. Given the proximity to roads and port facilities, I see this risk however as low to moderate.
- *Commodity Risks:* The Company is primarily exposed to Precious Metals, which is volatile and could result in lower valuations for the Tenement.

## **Competency, Independence and Consent**

### *Competence*

Mr Castle has prepared valuation assignments for public release for a large number of companies over the past decade. He is a Non-Executive director of BMG Ltd, currently exploring lithium projects in Chile.

He has wide experience in a number of commodities including precious metals, base metals, nickel, cobalt, iron ore, coal, mineral sands, Salt Lake potash, uranium, specialty metals including rare earths, scandium, lithium, graphite and vanadium over his professional career.

Mr Castle prepares an Independent Technical Assessment Report on the Company's projects in New South Wales in January 2017 and is familiar with the regional geological setting from earlier exploration postings, including Orange, NSW.

Please refer to the list of recent valuation reports at the end of this report.

*Declaration – VALMIN Code:* The information in this report that relates to Technical Assessment and Valuation of Mineral Assets reflects information compiled and conclusions derived by Malcolm Castle, who is a Member of The Australasian Institute of Mining and Metallurgy. Malcolm Castle is not a permanent employee of the Company. Malcolm Castle has sufficient experience relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration and to the activity, which he is undertaking to qualify as a Practitioner as defined in the 2015 edition of the 'Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets'. Malcolm Castle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

*Competent Persons Statement – JORC Code:* The information in this report that relates to Exploration Results and Mineral resources of the Company is based on, and fairly represents, information and supporting documentation reviewed by Malcolm Castle, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient

experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity, which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral resources and Ore Reserves'. Mr Castle consents to the inclusion in this report of the matters based on the information and supporting documentation in the form and context in which they appear.

### *Independence*

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

Agricola has had no material association during the previous two years with the owners/promoters of the mineral assets, the company acquiring the assets or any of the assets to be acquired and has no material interest in the projects;

There are no business relationships between Agricola and the Company. Agricola or its employees and associates are not, nor intend to be a director, officer or other direct employee of the Company. The relationship with the Company is solely one of professional association between client and independent consultant;

Agricola does not hold and has no interest in the securities of the company under review; Agricola has no relevant pecuniary interest, association or employment relationship with the Company and its subsidiaries; Agricola has no interest in the material tenements, the subject of the Report;

Agricola is not a substantial creditor of an interested party, or has a financial interest in the outcome of the proposal. The review work and this report are prepared in return for professional fees of \$10,000 plus GST based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

### *Consent*

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

For the purposes of the Corporations Act 2001, Agricola Mining Consultants Pty Ltd consents to the inclusion of this Independent Valuation Report in the form and context as set out in the formal agreement with the Company.

Agricola provides its consent on the understanding that the assessment expressed in the individual sections of this report will be considered with, and not independently of, the information set out in full in this report. Agricola consents to the use and reliance upon this specialist valuation report on the Mineral Assets in preparation of an Independent Expert's Report if appropriate. Agricola has no reason to doubt the authenticity or substance of the information provided.

Agricola Mining Consultants Pty Ltd has not withdrawn this consent prior to the lodgement of the Report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Malcolm Castle', is written over a light-colored, textured background that resembles a piece of paper or a stamp.

**Malcolm Castle**

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

Agricola Mining Consultants Pty Ltd

## APPENDICES

### Recent Independent Valuation Reports

- Peel Mining Limited, 16 Oct 17 (Gold in WA)
- Apollo Minerals Limited, 7 Nov 17 (Gold in WA)
- Castle Resources Limited, 26 Mar 18 (Gold in Ghana)
- Draig Resources Limited, 20 Dec 17 (Gold in WA)
- Emmerson Resources Limited, 26 Mar 18 (Gold in NT)
- Gondwana Resources Limited, 10 Oct 17 (Gold in WA)
- Kalia Limited, 12 Mar 18 (Gold in Bougainville)
- Orminex Limited, 11 Feb 18 (Gold in WA)
- Resource and Energy Limited, 4 May 18 (Gold in WA)

**The Valmin Code 2015 Edition Extracts**

AUSTRALASIAN CODE FOR PUBLIC REPORTING OF TECHNICAL ASSESSMENTS AND VALUATIONS OF MINERAL ASSETS

A **Valuation Report** expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related corporate Securities. Such Public Reports must be prepared by **Specialists**.

**Specialists** are persons whose profession, reputation and relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value Mineral Assets, and who prepare and accept responsibility for a Public Report. (2.1)

A Specialist **must**:

- be **Competent** in, and have had at least five years of recent and relevant industry experience in relation to the specific Mineral Asset to be reported upon;
- have at least five years of recent and relevant experience in Technical Assessment, and where a Valuation is being prepared, have at least an additional five years (totalling a **minimum of ten years**) of recent and relevant experience in the valuation of Mineral Assets;
- be a member of a **Professional Organisation** with an enforceable professional Code of Ethics and understand that a violation of the VALMIN Code may result in an investigation in accordance with the rules of the Professional Organisation; and
- be familiar with the VALMIN Code 2015, the JORC Code 2012, the relevant requirements of the Corporations Act, the public policies of ASIC, the ASX or other recognised Securities exchanges, and court decisions that may be relevant to the Public Report being prepared.

**Competence** requires that the Public Report is based on work that is the responsibility of a suitably qualified and experienced person who is subject to an enforceable professional Code of Ethics. (3.1)

**Materiality** requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. (3.2)

**Transparency** requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of material information. (3.3)

**Reasonableness** requires that an assessment that is impartial, rational, realistic and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation. (4.1)

**Independence** requires that there is no present or contingent interest in the Mineral Assets, nor is there any association with the Commissioning Entity or related parties that is likely to lead to bias. (4.2)

A Public Report must disclose the **basis of value** - a statement of the fundamental measurement assumptions of a valuation. The VALMIN Code primarily uses the terms Market Value and Technical Value. (8.1)

**Technical Value** is an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

**Market Value** is the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion.

Market Value may be higher or lower than Technical Value. A Public Report should take such factors into account, stating the results of the principal Valuation Methods used and disclosing the amount of and reasons for the difference between the Market Value and Technical Value.

Three widely accepted Valuation Approaches are:

- Market-based, which is based primarily on the notion of substitution. In this Valuation Approach the Mineral Asset being valued is compared with the transaction value of similar Mineral Assets under similar time and circumstance on an open market.
- Income-based, which is based on the notion of cashflow generation. In this Valuation Approach the anticipated benefits of the potential income or cash flow of a Mineral Asset are analysed.
- Cost-based, which is based on the notion of cost contribution to Value. In this Valuation Approach the costs incurred on the Mineral Asset are the basis of analysis.

A Valuation Report should make use of at least **two Valuation approaches** and comment on how the results compare. The Practitioner must disclose and discuss in the Public Report the Valuation Methods used, having regard to each of these factors so that another Practitioner can understand the procedure and arrive at a similar conclusion within reasonable bounds. (8.3)

A **range of values** (high/most likely/low) **must** be determined and stated in a Public Report to reflect any uncertainties in the data and the interaction of the various assumptions made; however, the range should not be so wide as to render the conclusion of the Public Report meaningless. (8.6)

## Comparable Transactions Database - Exploration Ground

AUSTRALIAN PROJECTS with EXPLORATION AREAS							
Date	Project	Country	Buyer	Seller	Deal A\$M	Area (km2)	A\$/km2
<b>GROUP A</b> <i>Greenfields Projects with prospective geology; may include extensive exploration history and some areas of interest. Some targets yet to be explored</i>  <i>Comparable Transactions, A\$ per square kilometre: A\$1,000 to A\$3,000; Prospectivity Index Range - &lt;2 to 5</i> <i>Count - 9; Median - 1680; Mean - 1,500; Sdev - 25</i>							
Aug-16	Marda- Diemels	WA	Indus Energy Ltd	IMD Gold Mines	2.98	2,761	1,078
Jul-16	Monument Project	WA	Syndicated Metals	Monument Exploration	0.23	210.00	1,095
Mar-16	Sandstone	WA	Enterprise Uranium	Sandstone Exploration	0.88	723.00	1,217
Mar-16	Avoca & Bailieston Gold	WA	Matsa Resources	Currawong Resources	0.25	194.00	1,289
Sep-16	Ida South	WA	Latitude Consolidated	Private Consortium	0.35	196.00	1,787
Oct-15	Garden Gully - Paynes Find	WA	Thundelarra Limited	Red Dragon Mines Ltd	1.24	739.50	1,680
May-16	Mt Venn Greenstone belt	WA	Enterprise Uranium	Sandstone Exploration	0.38	206.00	1,829
2008/2018	Narnoo	WA	A1 Minerals	Desertex	0.93	470.00	1,987
Oct-17	Pilbara Gold	WA	Kalamazoo Resources	Private Company	0.50	252.00	1,984
<b>GROUP B</b> <i>Mineralised Regional area Adjacent to known small scale resources or old workings</i>  <i>Comparable Transactions, A\$ per square kilometre: A\$3,000 to A\$6,000; Prospectivity Index Range - 5 to 10</i> <i>Count - 8; Median - 4,250; Mean - 3,000; Sdev - 50</i>							
Aug-15	Talga, Warrawoona, Mosquito Ck	WA	Beatons Creek Gold	Talga Resources Ltd	0.54	215.90	2,504
2008/2018	Western Shaw, WA	WA	Atlas Iron	Buxton	0.40	127.00	3,152
2008/2018	Dundas, WA	WA	Australasia Gold	Private	2.20	660.00	3,327
2008/2018	Yagahong	WA	Silver Swan	Mercator	2.43	600.00	4,043
2008/2018	Mt Zephyr, WA	WA	Newsrest	Regal	1.14	254.00	4,489
2008/2018	E40/212, WA	WA	Lumacom	Undisclosed	0.23	50.00	4,609
2008/2018	Scorpion Well, WA	WA	Meteoric	Image Resources	1.21	244.00	4,971
Oct-17	Hardey	WA	Elysium Resources	Hardey Resources	2.65	512.00	5,180

<b>GROUP C</b> <i>Mineralised areas of interest within tenements with significant exploration encouragement</i>							
<i>Comparable Transactions, A\$ per square kilometre: A\$6,000 to A\$8,000; Prospectivity Index Range - 10 to 20</i>							
<i>Count - 6; Median - 7,600; Mean - 7,000; Sdev - 1500</i>							
2008/2018	Yalgoo, WA	WA	Ausorex	Prosperity	2.83	457.00	6,184
2008/2018	Hogans, WA	WA	Newmont	Gladiator	2.26	325.00	6,942
2008/2018	Kuaby Well	WA	Silver Swan	Mawson West	0.61	84.00	7,220
2008/2018	Revere, WA	WA	Revere	Enterprize	11.22	1,403.00	7,997
Mar-17	Mount Monger	WA	Undisclosed	Poz Minerals	0.63	72.80	8,654
2008/2018	Sunday, WA	WA	Aust. Min. Fields	Hannans Reward	0.46	49.00	9,407
<b>GROUP D</b> <i>Brownfields areas adjacent to resources; may include Historic Resources</i>							
<i>Comparable Transactions, A\$ per square kilometre: &gt;A\$6,000; Prospectivity Index Range - &gt;20</i>							
<i>Count - 11; Median - 25,000</i>							
2008/2018	Star of Mangaroon	WA	Prime	Fox Resources	0.76	72.00	10,614
2008/2018	Talga Peak	WA	Mining Prospects	Oakover	2.13	180.00	11,860
Aug-15	Spargos Reward Gold Project	WA	Mithril Resources	Corona Minerals	0.38	31.00	12,407
Dec-16	Sunrise Dam South	WA	Cervantes Corporation	Raven Resources Pty	0.94	46.30	20,259
2008/2018	Mt Monger, WA	WA	Integra	Solomon	0.64	30.00	21,430
Jul-13	Valley Floor	WA	Tychean Resources	Valley Floor Resources	0.15	6.00	25,000
Feb-13	Aurora Tank	WA	Appollo Minerals	Marmota Energy	1.20	48.00	25,000
Apr-13	Mt Egarton	WA	3D Resources	Tech-Sol Pty	0.52	19.00	27,368
Dec-17	Hong Kong	WA	Clancy Exploration	Undisclosed	1.35	40.00	33,750
May-13	Lynas find	WA	Alloy Resources	Trafford Resources	1.30	28.00	46,250
Sep-16	Klondyke	WA	Keras	Haoma	0.38	6.50	57,692

## SCHEDULE 2 – PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

BALANCE SHEET	MAG Audit Reviewed 31-Dec 18	MAG Unaudited 30-Jun 19	Pro-forma adjustments	MAG Pro-forma Post in-specie distribution	AGC Pro-forma Post in-specie distribution
<b>Current Assets</b>					
Cash and cash equivalents	507,440	233,431	(104,927) <sup>1</sup>	128,502	1
Other receivables	83,413	52,706	(98,409) <sup>2</sup>	2,748	4,256
Prepayments		3,150	(1,000) <sup>3</sup>	2,150	
Other investments					
<b>Total Current Assets</b>	<b>590,853</b>	<b>341,994</b>	<b>(204,336)</b>	<b>133,400</b>	<b>4,257</b>
<b>Non-Current Assets</b>					
Security Bonds	91,300	91,300			91,300
Plant & equipment	57,051	36,420	(6,020) <sup>4</sup>		30,400
Exploration and evaluation	2,073,350	2,073,350	(1,368,300) <sup>5</sup>	705,050	
<b>Total Non-Current Assets</b>	<b>2,221,701</b>	<b>2,201,070</b>	<b>(5,497,939)</b>	<b>705,050</b>	<b>121,700</b>
<b>Total Assets</b>	<b>2,812,554</b>	<b>2,543,064</b>	<b>(5,702,275)</b>	<b>838,450</b>	<b>125,957</b>
<b>Current Liabilities</b>					
Short Term Loans			220,000 <sup>6</sup>	220,000	
Trade and other payables	300,612	1,098,194	(620,557) <sup>7</sup>	477,637	
Provisions					
<b>Total Current Liabilities</b>	<b>300,612</b>	<b>1,098,194</b>	<b>(400,667)</b>	<b>697,637</b>	
<b>Non-Current Liabilities</b>					
Other payables	126,527				
<b>Total Non-Current Liabilities</b>	<b>126,527</b>				
<b>Total Liabilities</b>	<b>427,139</b>	<b>1,098,194</b>	<b>(400,667)</b>	<b>697,637</b>	
<b>Net Assets</b>	<b>2,385,415</b>	<b>1,444,871</b>	<b>(1,178,100)</b>	<b>140,814</b>	<b>125,957</b>
<b>Equity</b>					
Issued capital	6,779,003	6,779,004	300,000 <sup>8</sup>	7,078,754	251
Reserves	3,068,703	3,068,703		3,068,703	
Accumulated losses	(7,462,291)	(8,402,837)	(1,478,100) <sup>9</sup>	(10,006,643)	125,706
<b>Total Equity</b>	<b>2,385,415</b>	<b>1,444,871</b>	<b>(1,178,100)</b>	<b>140,814</b>	<b>125,957</b>

**Notes:**

1. Cash used to fund Q1 2019-20 operations net of short-term debt (No. 6) and issued capital (No. 8) raised.
2. June 2019 quarter GST paid refunded.
3. Prepaid expenses released to the P&L in Q1 2019.
4. Q1 2019 plant and equipment depreciation.
5. East Lachlan Projects capitalised expenditure to be written off.
6. Short term loans from directors.
7. Q1 2019 creditor payments net of new creditors from Q1 2019 operations.
8. Proceeds from interim capital raising.
9. East Lachlan Projects capitalised expenditure write off plus Q1 operating loss.

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## SCHEDULE 3 – KEY RISK FACTORS

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The business, assets and operations of AGC will be subject to certain risk factors that have the potential to influence its operating and financial performance in the future. These risks can impact on the value of an investment in its securities and include those highlighted in the table below.

The risk factors set out below ought not to be taken as exhaustive of the risks faced by AGC. The below factors, and others not specifically referred to below, may in the future materially affect the financial performance of AGC and the value of the AGC Shares. Therefore, the AGC Shares carry no guarantee with respect to the payment of dividends, returns of capital or the value of those shares.

Risk	Description
<b>Failure to raise capital for NSW Assets</b>	<p>AGC's capital requirements will depend on numerous factors. Exploration costs and pursuit of its business plan will reduce AGC's cash reserves, which may not be replaced through future operations, should these prove unsuccessful or perform below expectations.</p> <p>Whilst AGC's strategy is to pursue joint venture arrangements with major partners with the financial capacity to provide funding for exploration and development, the failure to secure such arrangements will mean AGC is dependent on seeking additional capital elsewhere, whether through equity or debt to support the long term exploration and evaluation of the NSW Assets. There is a risk that AGC may fail to raise sufficient capital to develop the NSW Assets in the future.</p> <p>The Board can give no assurance as to the levels of future borrowings or further capital raisings that will be required to meet the aims of AGC to develop the NSW Assets. No assurance can be given that AGC will be able to successfully pursue joint venture arrangements or procure sufficient funding at times and on the terms acceptable to it.</p> <p>Any additional future equity financing will dilute existing shareholders, and any debt financing, if available, may involve restrictions on AGC's operating activities and business strategy. If AGC is unable to obtain additional funding as needed, it may be required to reduce the scope of its operations or scale back its business plans or exploration programmes, as the case may be or forfeit rights to some or all of its projects which could have a material adverse effect on AGC's activities.</p>

Risk	Description
<b>AGC not retaining NSW Assets</b>	Under the Proposal, Magmatic will be transferring all of the NSW Assets to AGC. Accordingly, Shareholders need to be aware that any investment made in Magmatic upon the basis of the NSW Assets should be undertaken in the knowledge that Magmatic (or its subsidiaries) will not be holding those assets. However, investors in Magmatic who hold Magmatic Shares on the Record Date will receive Shares in AGC and so will continue to have an ownership interest in the NSW Assets.
<b>Exploration and Development Success</b>	<p>The NSW Assets are prospective and are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings. Notwithstanding the experience, knowledge and careful evaluation AGC will bring to exploration of the NSW Assets, there is no assurance that a significant mineral resource will be identified. Even if identified, other factors such as technical difficulties, geological conditions, adverse changes in Government policy or legislation or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude AGC from successfully exploiting the resource.</p> <p>The exploration costs of AGC will be based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect AGC's viability.</p> <p>The prospects of AGC should be considered in the light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the exploration sector which has a high level of inherent uncertainty.</p>
<b>Resource estimates</b>	Resource estimates are expressions of judgment based on knowledge, experience and industry practice.

Risk	Description
	<p>Estimates which were valid when made may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should AGC encounter mineralisation or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and this may affect the viability of future operations.</p>
<p><b>Status of NSW Assets</b></p>	<p>All tenements which AGC will hold an interest in or may acquire either by application, sale and purchase or those subject to joint venture / farm-in arrangements are regulated by the applicable State mining legislation.</p> <p>There is no guarantee that applications will be granted as applied for (although AGC has no reason to believe that tenements will not be granted in due course). Various conditions may also be imposed as a condition of grant. In addition the relevant minister may need to consent to any transfer of tenement to AGC.</p> <p>Renewal of titles is made by way of application to the relevant department. There is no guarantee that a renewal will be automatically granted other than in accordance with the applicable State mining legislation. In addition, the relevant department may impose conditions on any renewal, including relinquishment of ground.</p> <p>Further, there are a number of conditions that AGC must satisfy with respect to the NSW Assets to keep them in good standing. These include but are not limited to licence fee payments, annual reporting requirements and annual filing requirements. Any failure by AGC to satisfy these conditions may lead to tenements being forfeited by the company.</p>
<p><b>Operations</b></p>	<p>The operations of AGC may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated</p>

Risk	Description
	<p>metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.</p> <p>Having been incorporated on 5 June 2019, AGC does not have any significant operating history, although it should be noted that AGC's directors have between them significant operational experience. No assurances can be given that AGC will achieve commercial viability through the successful exploration and/or mining of its license interests. Until AGC is able to realise value from its projects, it is likely to incur ongoing operating losses.</p> <p>Further, regulatory approvals are required prior to any work being undertaken on the ground. The granting of such approvals may take time to achieve and no guarantees can be given that the approvals will be granted in the required timeframe or at all.</p>
<p><b>Environmental and other regulatory risks</b></p>	<p>AGC's operations are and will be subject to environmental regulation. Environmental regulations are likely to evolve in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance and assessments of proposed projects. Environmental regulations could impact on the viability of AGC's projects. AGC may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining or other activities for which it was not responsible.</p> <p>It is AGC's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.</p>
<p><b>Native Title</b></p>	<p>AGC may, from time to time, need to negotiate with any native title claimant for access rights to its tenements. In addition, agreement will need to be reached with native title claimants and/or holders in the event of mining. There may be significant delays and costs associated with these negotiations and to reach agreement acceptable to all relevant parties.</p>

Risk	Description
<b>Economic conditions</b>	<p>General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on AGC's exploration, development and production activities, as well as on its ability to fund those activities. If activities cannot be funded, there is a risk that the NSW Assets may have to be surrendered or not renewed. General economic conditions may also affect the value of AGC Shares and its valuation regardless of its actual performance.</p>

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## SCHEDULE 4 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

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A summary of the terms and conditions of the Director Options is set out below:

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (k), the amount payable upon exercise of each Director Option will be \$0.05 (**Exercise Price**).

(c) **Expiry Date**

Each Director Option will expire at 5:00 pm (WST) on the date which is three (3) years from the date of issue of the Director Options (**Expiry Date**). A Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Vesting Conditions**

The Director Options will vest immediately upon issue.

(e) **Exercise Period**

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

(f) **Notice of Exercise**

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

(g) **Exercise Date**

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

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

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

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

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

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

- (i) **Shares issued on exercise**

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

- (j) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Director Options.

- (k) **Reconstruction of capital**

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

- (l) **Participation in new issues**

There are no participation rights or entitlements inherent in the Director Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options without exercising the Director Options.

- (m) **Change in exercise price**

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

- (n) **Unquoted**

The Company will not apply for quotation of the Director Options on ASX.

- (o) **Transferability**

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



# MAGMATIC RESOURCES

Magmatic Resources Ltd  
ABN 32 615 598 322



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

## Need assistance?



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



**Online:**  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00am (WST) Sunday, 13 October 2019.**

# Proxy Form

## 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

**If you are attending in person, please bring this form with you to assist registration.**

#### Corporate Representative

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

## Lodge your Proxy Form:

**XX**

### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 999999**  
**SRN/HIN: I999999999**  
**PIN: 99999**

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

### By Mail:

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

### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



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

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 Magmatic 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 Magmatic Resources Limited to be held at Suite 8, 1297 Hay Street, West Perth, Western Australia on Tuesday, 15 October 2019 at 10:00am (WST) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 4, 5 and 6 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 4, 5 and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 4, 5 and 6 by marking the appropriate box in step 2.

## Step 2 Items 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.

	For	Against	Abstain
1 Approval for an Equal Reduction of Capital and In-Specie Distribution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of the issue of Shares to the Vendor Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Placement – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Issue of Options to related party – Mr Andy Viner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Issue of Shares to related party – Mr David Richardson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Issue of Shares to related party – Mr David Berrie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Issue of Shares to Gold Fields Australia Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

## Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1  Securityholder 2  Securityholder 3  / /  
 Sole Director & Sole Company Secretary Director Director/Company Secretary Date

**Update your communication details** (Optional)

Mobile Number  Email Address  By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

