KALIA LIMITED ACN 118 758 946

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10:00 am (WST)

DATE: Friday, 29 November 2019

PLACE: HLB Mann Judd, Level 4, 130 Stirling Street, Perth, WA 6000

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 4:00pm (WST) on 27 November 2019.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2019 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2019."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

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

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – SEAN O'BRIEN

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

"That, for the purpose of clause 7.3 of the Constitution, ASX Listing Rule 14.5 and for all other purposes, Mr Sean O'Brien, a Director, retires by rotation, and being eligible, is re-elected as a Director."

4. RESOLUTION 3 – ELECTION OF DIRECTOR – JONATHAN REYNOLDS

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

"That, for the purpose of clause 7.3 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Jonathan Reynolds, a Director who was appointed casually on 22 July 2019, retires, and being eligible, is elected as a Director."

5. RESOLUTION 4 – ELECTION OF DIRECTOR – MICHAEL JOHNSTON

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

"That, for the purpose of clause 7.3 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Michael Johnston, a Director who was appointed casually on 22 July 2019, retires, and being eligible, is elected as a Director."

6. RESOLUTION 5 – CONSOLIDATION OF CAPITAL

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

"That, subject to all other Resolutions in this Notice being passed, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:

- (a) every 100 Shares be consolidated into 1 Share,
- (b) every 100 Options be consolidated into 1 Option; and
- (c) every 100 Performance Shares be consolidated into 1 Performance Share,

and, where this Consolidation results in a fraction of a Share, Option or Performance Share being held, the Company be authorised to round that fraction up to the nearest whole Share, Option or Performance Share (as the case may be)."

7. RESOLUTION 6 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following resolution as a **special** resolution:

"That, for the purposes of section 157(1)(a) and for all other purposes, approval is given for the name of the Company to be changed to **MCB Resources Limited.**"

8. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special** resolution:

"That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who 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 will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy

Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 8 – APPROVAL TO EXTEND TERM OF SECURITY INTERESTS

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

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

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Tygola Pty Ltd and Peter Yunghanns or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

EXPERT'S REPORT

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert considers the transaction the subject of this Resolution to be <u>fair and reasonable</u> to the non-associated Shareholders in the Company.

Dated: 25 October 2019

By order of the Board

Ms Melissa Chapman and Ms Catherine Grant-Edwards

Joint Company Secretaries

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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

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

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

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

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

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6181 9727.

EXPLANATORY STATEMENT

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.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2019 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.kaliagroup.com.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

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

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

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

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – SEAN O'BRIEN

3.1 General

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Mr Sean O'Brien, who has served as a director since 11 May 2018, and was last reelected on 29 November 2019, retires by rotation and seeks re-election.

3.2 Qualifications and other material directorships

Mr Sean O'Brien has experience in finance and general management across a broad range of primary industries. Mr O'Brien has extensive experience overseeing a portfolio of listed and unlisted investments including many in the natural resources sector. Mr O'Brien is currently a director of Remasys Pty Ltd, a managed services software business based in Australia.

3.3 Independence

If re-elected the board considers Mr Sean O'Brien will be an independent director.

3.4 Board recommendation

The Board supports the re-election of Mr Sean O'Brien and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – ELECTION OF DIRECTOR – JONATHAN REYNOLDS

4.1 General

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

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

Mr Jonathan Reynolds, having been appointed by other Directors on 22 July 2019 in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

4.2 Qualifications and other material directorships

Mr Reynolds is a member of Chartered Accountants Australia and New Zealand, a fellow of Financial Services Institute of Australia and holds a Bachelor of Commerce (Honours) degree. Jonathan has more than 25 years' experience across a range of sectors, mostly in financial management roles having been chief

financial officer with a number of listed entities since his time with an international firm of chartered accountants. He was the finance director of a resource investment house, managing investments across a range of commodities and in a number of countries and is currently finance director with Allegiance Coal Ltd (ASX:AHQ), an ASX listed company focussed on investing in advanced, near production or producing metallurgical coal projects.

4.3 Independence

Mr Jonathan Reynolds has no interests, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the board and to act in the best interest of the entity and its security holders generally.

If elected the board considers Mr Jonathan Reynolds will be an independent director.

4.4 Board recommendation

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

5. RESOLUTION 4 – ELECTION OF DIRECTOR – MICHAEL JOHNSTON

5.1 General

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

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

Mr Michael Johnston, having been appointed by other Directors on 22 July 2019 in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

5.2 Qualifications and other material directorships

Mr Johnston has extensive experience in PNG, having been Technical Services Manager at the giant Porgera Gold Mine during the 1990's, then General Manager of Placer Dome's exploration for all of Australia and Asia Pacific in the early 2000's. Most recently Mike was President and CEO of Nautilus Minerals, where he managed the development of the world's first publicly listed (TSX) sea floor mining company and was responsible for raising over A\$300 million in finance.

5.3 Independence

Mr Michael Johnston has no interests, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the board and to act in the best interest of the entity and its security holders generally.

If elected the board does not consider Mr Michael Johnston will be an independent director.

5.4 Board recommendation

The Board supports the election of Mr Michael Johnston and recommends that Shareholders vote in favour of Resolution 4.

6. RESOLUTION 5 - CONSOLIDATION OF CAPITAL

6.1 Background

If Resolution 5 is passed and excluding any Securities issued pursuant to the other Resolutions, the number of:

- (a) Shares on issue will be reduced from 2,514,347,392 to 25,143,474 subject to rounding);
- (b) Options on issue will be reduced from 100,000,000 to 1,000,000 (subject to rounding); and
- (c) Performance Shares on issue will be reduced from 500,000,000 to 5,000,000 (subject to rounding).

6.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

6.3 Fractional entitlements

Not all Security Holders will hold that number of Shares, Options or Performance Shares (as the case may be) which can be evenly divided by 100. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security.

6.4 Taxation

It is not considered that any taxation implications will exist for Security holders arising from the Consolidation. However, Security holders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor its advisers, accept any responsibility for the individual taxation implications arising from the Consolidation.

6.5 Holding statements

From the date two Business Days after the Consolidation is approved by Shareholders, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security Holder to check the number of Securities held prior to disposal or exercise (as the case may be).

6.6 Effect on capital structure

The effect which the Consolidation will have on the Company's capital structure is set out in the table below.

Capital Structure	Shares	Unlisted Performance Shares	Unlisted Options ¹
Pre-Consolidation Securities	2,514,347,392	500,000,000²	100,000,0003
Sub-total	2,514,347,392	500,000,0002	100,000,000³
Post 100:1 Consolidation of Securities (Resolution 5)4	25,143,474	5,000,000	1,000,000
Completion of all Resolutions	25,143,474	5,000,000	1,000,000

- 1. The terms of these Options are set out in the table below.
- 2. Comprised of:
 - a. 250,000,000 Class A Performance Shares; and
 - b. 250,000,000 Class B Performance Shares.
- 3. Comprised of:
 - a. 35,000,000 unlisted options, exercisable at \$0.02 each on or before 16 May 2022;
 - b. 35,000,000 unlisted options, exercisable at \$0.025 each on or before 16 May 2023; and
 - c. 30,000,000 unlisted options, exercisable at \$0.03 each on or before 16 May 2024.
- 4. Assuming no Options are exercised or Performance Shares convert prior to the Meeting.

The effect the Consolidation will have on the terms of the Options is as set out in the tables below:

Options – Pre Consolidation

Terms	Number
Options exercisable at \$0.02 each on or before 16 May 2022	35,000,000
Options exercisable at \$0.025 each on or before 16 May 2023	35,000,000
Options exercisable at \$0.03 each on or before 16 May 2024	30,000,000
Total	100,000,000

Options – Post Consolidation

Terms	Number
Options exercisable at \$2.00 each on or before 16 May 2022	350,000
Options exercisable at \$2.50 each on or before 16 May 2023	350,000
Options exercisable at \$3.00 each on or before 16 May 2024	300,000
Total	1,000,000

6.7 Indicative timetable*

If Resolution 5 is passed, the reduction of capital will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules):

Action	Date	
Company announces Consolidation and sends out Notice of Meeting.	30 October 2019	
Company tells ASX that Shareholders have approved the Consolidation.	29 November 2019	
Last day for pre-Consolidation trading.	2 December 2019	
Post-Consolidation trading starts on a deferred settlement basis.	3 December 2019	
Last day for Company to register transfers on a pre-Consolidation basis.	4 December 2019	
First day for Company to send notice to each holder of the change in their details of holdings.	[Doograph or 2010	
First day for the Company to register Securities on a post- Consolidation basis and first day for issue of holding statements.	5 December 2019	
Change of details of holdings date. Deferred settlement market ends.		
Last day for Securities to be entered into holders' Security holdings.	11 December 2019	
Last day for the Company to send notice to each holder of the change in their details of holdings.		

7. RESOLUTION 6 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 6 seeks the approval of Shareholders for the Company to change its name to MCB Resources Limited.

If Resolution 6 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 6 is passed, the Company will lodge a copy of the special resolution with ASIC following the Meeting in order to effect the change.

8. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT CAPACITY

8.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities (as defined below) equal to 10% of its issued capital (10% Placement Capacity) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

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

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

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$2,514,347 (based on the number of Shares on issue and the closing price of Shares on the ASX on 17 October 2019).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities.

As at the date of this Notice, the Company currently has one class of quoted Equity Securities on issue, being the Shares (ASX Code: KLH).

If Shareholders approve Resolution 7, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 7 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 7 for it to be passed.

8.2 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 7:

(a) Minimum Price

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

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in section 8.2(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

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

(i) 12 months after the date of this Meeting; and

(ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) Risk of voting dilution

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

If Resolution 7 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at 17 October 2019.

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

Number of	Dilution				
Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2)	Issue Price (per Share)	\$0.0005 50% decrease in Issue Price	\$0.001 Issue Price	\$0.0015 50% increase in Issue Price	
2,514,347,392 (Current	Shares issued - 10% voting dilution	251,434,739 Shares	251,434,739 Shares	251,434,739 Shares	
Variable A)	Funds raised	\$125,717	\$251,435	\$377,152	
3,771,521,088 (50% increase in Variable A)	Shares issued - 10% voting dilution	377,152,109 Shares	377,152,109 Shares	377,152,109 Shares	
	Funds raised	\$188,576	\$377,152	\$565,728	
5,028,694,784 (100% increase in	Shares issued - 10% voting dilution	502,869,478 Shares	502,869,478 Shares	502,869,478 Shares	
Variable A)	Funds raised	\$251,435	\$502,869	\$754,304	

^{*}The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a prorata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

- 1. There are currently 2,514,347,392 Shares as at the date of this Notice of Meeting, on a pre-Consolidation basis.
- 2. The issue price set out above is the closing price of the Shares on the ASX on 17 October 2019.

- 3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
- 4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
- 5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
- 6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- 7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
- 8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- 9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

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

- (i) as cash consideration in which case the Company intends to use funds raised for the acquisition of new resources, assets and investments (including expenses assocaited with such an acquisition), potentail repyament of loans and general working capital; or
- (ii) as non-cash consideration for the acquisition of new assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) Allocation policy under the 10% Placement Capacity

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

(i) the purpose of the issue;

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

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

(f) Previous approval under ASX Listing Rule 7.1A

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 29 November 2018 (**Previous Approval**).

The Company has not issued any Equity Securities pursuant to the Previous Approval.

During the 12 month period preceding the date of the Meeting, being on and from 29 November 2018, the Company otherwise issued a total of 1 Share which represents approximately 0.000% of the total diluted number of Equity Securities on issue in the Company on 29 November 2018, which was 3,658,847,391 Shares.

Further details of the issues of Equity Securities by the Company during the 12 month period preceding the date of the Meeting are set out in Schedule 1.

(g) Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

8.3 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 7.

9. RESOLUTION 8 – APPROVAL TO EXTEND TERM OF SECURITY INTERESTS

9.1 Background

(a) Share Sale Agreement

On 20 March 2018 the Company entered into a share sale agreement (Share Sale Agreement or SSA) with Global Resources Investment Trust PLC and Kalia Holdings Pty Ltd (Kalia Holdings) pursuant to which the Company agreed to acquire, subject to Shareholder approval, all of the shares it did not already hold in Kalia Holdings, being a 27.71% shareholding in Kalia Holdings held by GRIT (GRIT Transaction).

The consideration payable for GRIT's shareholding in Kalia Holdings was satisfied through the Company issuing 480,000,000 Shares (pre-Consolidation) to GRIT. Consequently, upon completion:

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

Shareholder approval for the GRIT Transaction was obtained at an extraordinary general meeting of the Company held on 11 May 2018 (2018 EGM). Kalia Holdings is now wholly owned by the Company.

On 17 September 2019, GRIT disposed of 430,000,000 Shares (pre-Consolidation), thereby decreasing its interest, such that it is no longer considered a substantial Shareholder of the Company. However, as this disposal occurred within the preceding six months, GRIT, Mardasa and Peter Yunghanns continue to be substantial Shareholders of the Company for the purposes of ASX Listing Rule 10.1.3.

(b) Extension to term of \$3m loan facility with Tygola

In conjunction with the GRIT Transaction, the Company gained access to a \$3,000,000 loan facility (**Loan Facility**) provided by Tygola Pty Ltd (**Tygola**). Tygola is an entity controlled solely by Peter Yunghanns. As at the date of this Notice, the full amount of the Loan Facility has been drawn down by the Company and remains outstanding (together with interest and fees payable under the Loan Agreement, summarised at Section 9.3).

The Loan Facility is secured by a first ranking security over the assets and an undertaking of the Company in favour of Tygola (**Security Interest**). At the 2018 EGM, Shareholder approval was also sought and obtained to allow the Company to grant the Security Interest in favour of Tygola, being an associate of substantial holders of the Company for the purposes of ASX Listing Rule 10.1.

ASX deems the granting of a security interest over the assets and undertaking of an entity to be a "disposal" of a substantial asset for the purposes of ASX Listing Rule 10.1, and as outlined in Section 9.7, shareholder approval is required for an entity to dispose of a substantial asset to certain persons in a position to influence the entity.

Repayment of the Loan Facility fell due on 31 December 2018 and the Company sought to extend the repayment date under the Loan Facility. Subsequently, Shareholder approval pursuant to ASX Listing Rule 10.1 was obtained at the Company's general meeting on 6 May 2019 to extend repayment of the Loan Facility (and therefore the term of the Security Interest) by an additional 12 months, up to 31 December 2019.

(c) Entry into additional facility with Tygola

As announced on 2 January 2019, Tygola agreed to provide an additional \$1 million loan facility to the Company for working capital and exploration purposes (**Additional Loan Facility**). This Additional Loan Facility is also secured by a further first ranking security over the assets and undertaking of the Company in favour of Tygola (**Additional Security Interest**), which ranks equally with the Security Interest held by Tygola.

The Company also obtained Shareholder approval for the granting of the Additional Security Interest at the Company's general meeting held on 6 May 2019. In accordance with the Shareholder approval for the Additional Security Interest, the maximum value was permitted to be increased to \$1.5 million, and the term of the Additional Loan Facility was permitted to be extended up to 31 December 2019. In accordance with the Shareholder approval, the Additional Security Interest and Additional Loan Facility were each extended to 31 December 2019.

(d) **Proposed Extension**

The parties have agreed (subject to Shareholder approval) that the Company will repay, and as at the date of this Notice the Company intends to repay, the Loan Facility and Additional Loan Facility by 28 February 2020.

As noted above, ASX deems the granting of a security interest over the assets and undertaking of an entity to be a "disposal" of a substantial asset for the purposes of ASX Listing Rule 10.1. Therefore, shareholder approval is required for an entity to dispose of a substantial asset to certain persons in a position to influence the entity.

As the Loan Facility and Additional Loan Facility are each secured by the Security Interest and Additional Security Interest, respectively, the effect of extending the repayment dates also results in an extension to the security interests. Therefore, in accordance with ASX Listing Rule 10.1 Shareholder approval is required to permit the Company to extend the repayment dates.

Despite the parties having agreed (subject to Shareholder approval) that the Company will repay the Loan Facility and Additional Loan Facility by 28 February 2020, the Company is seeking approval to extend the repayment date of each loan facility by 9 months (to 30 September 2020). The reason for this is to allow the parties the flexibility to agree to an additional extension (within the time limit approved by Shareholders),

should it be required, without the need to incur the costs associated with convening a further general meeting on the matter.

As at the date of this Notice, Tygola has not agreed to any extension of the Loan Facility or Additional Loan Facility past 28 February 2020 (subject to Shareholder approval), nor has it indicated any inclination to do so. There is no guarantee that an additional extension of time past 30 September 2020 will be agreed to by Tygola and the fact that the Company is seeking upfront approval for this should not be taken to be an indication that this will occur.

(e) Plans for repayment of Tygola facilities

The Company expects repayment of the amounts advanced and discharge of the associated security interests to be achieved by 28 February 2020 through the raising of funds by way of the issue of new equity to both new and existing investors and potential debt to equity conversion. Discussions have commenced with various parties on all avenues.

In the event the Company is unable to source alternative funding prior to 28 February 2020, being the date on which both Tygola loan facilities will fall due for repayment, the Company wished to retain an option to extend the repayment term of these facilities. Tygola has not agreed to or indicated any inclination towards an extension of either the term with the Company as at the date of this Notice.

(f) Independent Expert's Report – Resolution 8

The Independent Expert's Report prepared by BDO Corporate Finance Pty Ltd (a copy of which is attached as Schedule 2 to this Explanatory Statement) assesses whether the extension to the terms of the Security Interest and the Additional Security Interest under Resolution 8 is fair and reasonable to the non-associated Shareholders of the Company.

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

9.2 Approval to extend term of Security Interest

As outlined above, Resolution 8 seeks Shareholder approval for the term of Tygola's existing Security Interest and Additional Security Interest to be extended by a maximum period of up to 9 months, up to 30 September 2020 (**Proposed Extension**).

The Company intends to repay the Loan Facility and Additional Loan Facility by 28 February 2020, which reflects (subject to Shareholder approval) the current agreement as between the parties. However, the Company is seeking approval to extend the repayment dates (and therefore the duration of the Security Interest and Additional Security Interest) by an additional 9 months to 30 September 2020 to allow the parties to extend repayment of the Loan Facility and Additional Loan Facility, should they wish to do, without the need to incur the costs associated with calling another general meeting.

It should be noted that Tygola has not agreed to any extension of the Loan Facility beyond 28 February 2020 as at the date of this Notice and has not indicated any willingness to do so at this stage.

The terms of the agreements detailing the Loan Facility, Additional Loan Facility and accompanying general security deeds are summarised in Sections 9.3 to 9.6.

The Independent Expert's Report prepared by the Independent Expert for the purpose of ASX Listing Rule 10.10.2 concludes that the proposal outlined in Resolution 8, whereby the Company's Shareholders may grant approval for the term of the Security Interest and Additional Security Interest in favour of Tygola to each be extended, is FAIR AND REASONABLE to Shareholders not associated with Tygola, taking into account the factors noted below and in the Independent Expert's Report, attached as Schedule 2 to this Notice of Meeting.

9.3 Key terms of Loan Agreement

In April 2018, the Company entered into the Loan Agreement with Tygola. The key terms of the Loan Agreement are as follows:

- (a) **Loan amount:** The Loan Facility is for a maximum amount of \$3,000,000, unless otherwise agreed by the parties (**Loan Amount**).
- (b) **Draw Down**: The Loan Amount has been drawn down by the Company on an ongoing, and as and when required basis, by giving notice in writing to Tygola.
 - As at 18 October 2019, a total amount of \$3,000,000 is owing to Tygola under the facility.
- (c) **Term**: The Loan Amount is repayable on or before 31 December 2019, unless otherwise agreed by the parties (**Term**).

As noted above, this Resolution seeks approval for the Term to be extended to 30 September 2020 (**Extended Term**), however the intention of both the Company and Tygola is that the Loan Amount will only be formally extended to 28 February 2020 as at the date of this Notice.

- (d) **Repayment**: The amount outstanding under the Loan Facility:
 - (i) may be repaid at the election of the Company in cash (in whole or part) at any time during the Term; and
 - (ii) must be repaid by the Company on or before 31 December 2019 (unless otherwise agreed by Tygola who, as indicated above, is willing to extend this period to 28 February 2020).
- (e) **Interest**: The Loan Amount accrues interest which will be paid monthly in arrears at an interest rate of 10% per annum on the amount outstanding.

If any interest is not paid when due (**Due Date**), interest will be payable at a higher rate of 14% per annum for the period of time commencing on the Due Date and ending on the date on which the interest has been paid in full.

As at 18 October 2019, the total interest which was accrued and paid was \$343,042.

(f) **Security:** The Loan Amount will be secured by the Security Interest (the terms of which are summarised in Section 9.4 below).

9.4 Key terms of the General Security Deed

In May 2018, the Company entered into a general security deed (**GSD**) with Tygola pursuant to which the Company granted the Security Interest in favour of Tygola over the Collateral to secure repayment of the Loan Amount. Shareholder approval for the grant of the Security Interest was sought and obtained pursuant to ASX Listing Rule 10.1 at the 2018 EGM.

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

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

As noted above, the Loan Facility is repayable on 31 December 2019.

The intention is currently for the Loan Facility to repaid and the Security Interest to be discharged by 28 February 2020 in accordance with the proposed extension of the Loan Facility to be formally agreed by the parties, subject to Shareholder approval. However, the Company seeks approval under this Resolution for the Security Interest to continue for a period of 9 months up to 30 September 2020 in case of the need for any further extensions of time.

The key terms of the GSD are as follows:

- (a) **Grant of Security Interest**: The Company grants a security interest to Tygola in all its present and after-acquired property, including:
 - (i) its assets and undertakings and its unpaid capital;
 - (ii) anything in respect of which the Company has a sufficient right or interest to grant a security interest under the *Personal Properties Securities Act 2009* (Cth) or any other law; and
 - (iii) anything else in which the Company has a sufficient right to be able to grant a security interest.
- (b) **Priority:** Each security interest granted by the Company under the deed ranks in priority before any other security interest other than those mandatorily preferred by law and any permitted security that ranks in priority to it.
- (c) **Enforcement**: While an event of default subsists, Tygola or a controller has the power to do anything in respect of the property subject to a security interest that an absolute beneficial legal owner of the property could do. To the extent permitted by law, at any time while an event of default subsists, Tygola may also (among other things) appoint any person or any two or more persons jointly or severally or both to be a receiver or receiver and manager of all or any of the Collateral.
- (d) Application of money received: At any time while an event of default is continuing, all money received by Tygola or its controller or attorney or any other person acting on their behalf may be appropriated and

applied towards any amount and in any order that Tygola or its controller or attorney or that other person determines in its absolute discretion, to the extent not prohibited by law.

(e) **Discharge**: At the Company's written request, Tygola must discharge the Security Interest created under the GSD if the secured money has been paid in full under the Loan Agreement.

9.5 Key terms of Additional Loan Agreement

In January 2019, the Company has entered into the Additional Loan Agreement with Tygola. The key terms of the Additional Loan Agreement are as follows:

(a) **Loan amount:** The loan facility is for a maximum amount of \$1,000,000, unless otherwise agreed by the parties (**Additional Loan Amount**).

However, the Company previously obtained Shareholder approval to enable the Additional Loan Facility to be increased by an additional \$500,000, bringing the maximum amount of the facility up to \$1.5 million.

(b) **Draw Down**: The Additional Loan Amount may be drawn by the Company on an ongoing, and as and when required basis, by giving notice in writing to Tygola, provided that funds drawn which are then repaid cannot be re-drawn.

As at 18 October 2019, a total amount of \$1,500,000 is owing to Tygola under the facility.

- (c) **Term**: The Additional Loan Amount is repayable on or before 31 December 2019. However, as noted above, and in accordance with the approval sought under this Resolution, the Company is seeking approval for the Additional Loan Facility to be repaid prior to 28 February 2020, with the ability to further extend the repayment date to 30 September 2020, in the event Tygola permits an extension to the term of this facility at a later date.
- (d) **Conversion**: Tygola may elect, at any time during the term of the Additional Loan and on more than one occasion, to convert all or part of the Additional Loan Amount (together with any outstanding interest on the Additional Loan Amount) into Shares at a conversion price of \$0.004 per Share (**Conversion**).

Full conversion of the Additional Loan Facility (not including interest) would result in the issue of 375,000,000 new Shares representing 12.98% of the issued capital of the Company (calculated on a pre-Consolidation basis and based on the total Shares on issue at the date of this Notice, being 2,514,347,392 Shares).

Any Conversion is subject to and conditional upon the Company obtaining all Shareholder and regulatory approval it considers to be necessary or required in connection with a Conversion.

The Additional Loan Amount may not be converted into Shares if such Conversion would cause the Lender to breach the Corporations Act (including, without limitation, Chapter 6 of the Corporations Act) or the ASX Listing Rules.

- (e) **Repayment**: The Additional Loan Amount:
 - (i) may be repaid at the election of the Company in cash or by Conversion (in whole or part) at any time during the term; and
 - (ii) shall be repaid by the Company on or before 31 December 2019 (unless otherwise agreed by Tygola who, as indicated above, is willing to extend this period to 28 February 2020).
- (f) Interest: The Additional Loan Amount will accrue interest which will be paid monthly in arrears at an interest rate of 10% per annum on the amount outstanding. If any interest is not paid by the Due Date, interest will be payable at a higher rate of 14% per annum for the period of time commencing on the Due Date and ending on the date on which the interest has been paid in full.
 - As at 18 October 2019, the total interest which was accrued and paid was \$83,764.
- (g) **Security:** The Additional Loan Amount will be secured by an additional first ranking general security deed over the Collateral (the terms of which are summarised in Section 9.6 below). The Additional Security Interest ranks equally to the Security Interest.

9.6 Key terms of the Additional GSD

The Company has entered into the additional general security deed (**Additional GSD**) with Tygola pursuant to which the Company has granted the Additional Security Interest in favour of Tygola over the Collateral in respect of the Additional Loan Amount.

The key terms of the Additional GSD are as follows:

- (a) **Grant of Additional Security Interest**: The Company grants a security interest to Tygola in all its present and after-acquired property, including:
 - (i) its assets and undertakings and its unpaid capital;
 - (ii) anything in respect of which the Company has a sufficient right or interest to grant a security interest under the *Personal Properties Securities Act* 2009 (Cth) or any other law; and
 - (iii) anything else in which the Company has a sufficient right to be able to grant a security interest.
- (b) **Priority:** The security interest granted by the Company under the deed will rank equally with Tygola's existing Security Interest, which together will rank in priority before any other security interest other than those mandatorily preferred by law and any permitted security that ranks in priority to it.
- (c) **Enforcement**: While an event of default subsists, Tygola or a controller will have the power to do anything in respect of the property subject to a security interest that an absolute beneficial legal owner of the property could do. To the extent permitted by law, at any time while an event of default subsists, Tygola may also (among other things) appoint any person or any two or more persons jointly or severally or both to be a receiver or receiver and manager of all or any of the Collateral.

- (d) Application of money received: At any time while an event of default is continuing, all money received by Tygola or its controller or attorney or any other person acting on their behalf may be appropriated and applied towards any amount and in any order that Tygola or its controller or attorney or that other person determines in its absolute discretion, to the extent not prohibited by law.
- (e) **Discharge**: At the Company's written request, Tygola must discharge the Security Interest created under the Additional GSD if the secured money has been paid in full under the Additional Loan Agreement.

9.7 Listing Rule 10.1

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

Persons of influence

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

- (a) a related party;
- (b) a subsidiary;
- (c) a "substantial holder", if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities;
- (d) an associate of a person referred to in (a) to (c) above; or
- (e) a person whose relationship to the entity is such that, in ASX's opinion, the transaction should be approved by security holders.

As noted in Section 9.1, following the GRIT Transaction, Mardasa and Peter Yunghanns (through their deemed relevant interests in GRIT's Shares), despite GRIT's previous disposal of 430,000,000 Shares (pre-Consolidation), continue to be substantial Shareholders of the Company for the purposes of ASX Listing Rule 10.1.3.

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

What is a substantial asset?

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

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the

financial year ended 30 June 2019) were -\$5,051,675. Therefore, any amount will be considered greater than 5% of the equity interest in the Company.

Although the Company has not entered into any agreement to dispose of any of its assets under the Loan Agreement or Additional Loan Agreement, the ASX considers, for the purpose of the Listing Rules, that the grant of a security over the Company's assets amounts to a 'disposal' of its assets, and with the amount secured by the Security Interest and Additional Security Interest, Shareholder approval in accordance with ASX Listing Rule 10.1 is required to extend the repayment dates of the loan facilities, and by extension the security interests.

Reason for seeking Shareholder approval

The parties propose to vary the Loan Agreement and Additional Loan Agreement to extend the terms (and, consequentially, the term of the Security Interest and Additional Security Interest, respectively) by an additional 2 months initially (though approval is sought for a maximum extension of up to 9 months to 30 September 2020) to enable additional time for the Company to repay the Loan Amount.

ASX has taken the view that the effect of the Proposed Extension will be to render the existing Shareholder approval of the two security interests sought at the 2018 EGM and 2019 EGM redundant. This is because the extension of the Loan Facility will extend the term of the Security Interest and Additional Security Interest previously approved by Shareholders, which ASX considers to be a change to the terms of the security interests previously approved which is significant enough to warrant seeking fresh Shareholder approval.

Shareholder approval is now being sought under Listing Rule 10.1 for the Proposed Extension.

9.8 Independent Expert's Report

The Independent Expert has been asked to prepare a report, for the purpose of ASX Listing Rule 10.10.2, on whether the Proposed Extension to the term of the Security Interest is fair and reasonable.

The Independent Expert has concluded that the Proposed Extension is fair and reasonable to non-associated Shareholders.

The Independent Expert considers the advantages and disadvantages of the Proposed Extension to be as follows:

Advantages to Proposed Extension

- The Proposed Extension is fair.
- It supports debt funding. The provision of security interests enables the Company to obtain the debt funding that it requires. If the Company seeks alternate funding through bank debt, it is more likely that there will be a requirement to furnish adequate collateral to secure the bank debt. Therefore, the provision of security for debt funding purposes is not unusual.

Disadvantages to Proposed Extension

• In the event of default by the Company, Tygola may enforce the security interests and require that the Company sell the secured assets in order to

- repay the monies outstanding under the Loan Agreement and Additional Loan Agreement.
- The security agreement that the Company and Tygola have entered into subject to Shareholder approval will place restrictions on the Company's ability to deal with its assets.

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

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in Section 8.1(a).

2018 EGM means the extraordinary general meeting of the Company held on 11 May 2018.

2019 EGM means the extraordinary general meeting of the Company held on 6 May 2019.

Additional Loan Agreement means the loan agreement between Tygola and Company dated in or around January 2019.

Additional Loan Amount means the amount of \$1.5 million, provided under the Additional Loan Facility.

Additional Loan Facility means the additional loan facility provide by Tygola under the Additional Loan Agreement.

Additional GSD means the general security deed entered into between the Company and Tygola dated in or around January 2019.

Additional Security Interest means the additional security interest granted to Tygola under the Additional GSD.

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

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.

Chair means the chair of the Meeting.

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

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

Collateral means the assets and undertaking of the Company.

Company means Kalia Limited (ACN 118 758 946).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

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

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

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

Explanatory Statement means the explanatory statement accompanying the Notice.

GSD means the general security deed dated in or around May 2018 between the Company and Tygola, pursuant to which the Company granted a first ranking security interest in favour of Tygola to secure repayment of the Loan Facility.

Independent Expert means BDO Corporate Finance Pty Ltd.

Independent Expert's Report means the independent expert's report prepared by the Independent Expert which is attached to this Notice as Schedule 1.

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

Loan Agreement means the loan agreement between Tygola and Company dated in or around April 2018.

Loan Amount means the amount of \$3,000,000 provided under the Loan Facility.

Loan Facility means the loan facility provide by Tygola under the Loan Agreement.

Mardasa means Mardasa Nominees Pty Ltd.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

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

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2019.

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

Section means a section of the Explanatory Statement.

Security Interest means the first ranking security interest granted in favour of Tygola under the GSD.

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

Shareholder means a registered holder of a Share.

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

Variable A means "A" as set out in the formula in ASX Listing Rule 7.1A(2).

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

SCHEDULE 1 – ISSUES OF EQUITY SECURITIES SINCE 29 NOVEMBER 2018

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) ¹	Form of consideration
Issue – 26 August 2019 Appendix 3B – 26 August 2019	1	Shares ²	Holder of the expired Class C Performance Shares.	Nil consideration.	Nil consideration. 250,000,000 Class C Performance Shares previously on issue, expired on 1 June 2019 (Expiry Date) in accordance with the terms and conditions (Terms) attaching to them (details of which are set out in the notice of general meeting held 21 August 2017).
					Pursuant to the Terms, as the performance condition attaching the Performance Shares was not met by the Expiry Date, the unconverted securities automatically consolidated into one Performance Share, and then converted into one ordinary Share. Current value ⁶ = \$0.001

Notes:

- 1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
- 2. Fully paid ordinary shares in the capital of the Company, ASX Code: KLH (terms are set out in the Constitution).
- 3. Based on the closing price of Shares on the ASX on 17 October 2019).







Financial Services Guide

22 October 2019

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('BDO', 'we' or 'us' or 'ours' as appropriate) has been engaged by Kalia Limited ('**Kalia**' or 'the Company') to provide an independent expert's report on the proposal to extend the grant of security over the Company's assets to Tygola with respect of an existing loan. You will be provided with a copy of our report as a retail client because you are a shareholder of Kalia.

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

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

Information about us

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

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

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

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.

BDO

Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$12,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in Kalia.

Other Assignments -BDO previously completed an Independent Experts' report in April 2018 for which a fee of approximately \$22,000 was received.

BDO previously completed an Independent Experts' report in March 2019 for which a fee of approximately \$25,000 was received

Remuneration or other benefits received by our employees

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

Referrals

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

Complaints resolution

Internal complaints resolution process

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

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

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority GPO Box 3 Melbourne VIC 3001 AFCA Free call: 1800 931 678

Website: www.afca.org.au



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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

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22 October 2019

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

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

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

Kalia acquired the remaining 27.71% of Kalia Holdings, which was not acquired in September 2017, from Global Resources Investment Trust plc ('GRIT'). Contingent on the GRIT Transaction the Company gained access to a \$3 million loan facility with Tygola Pty Ltd, an entity controlled by Peter Yunghanns ('Tygola') (the 'Tygola Loan'). Under the terms of the loan facility, the Company granted a first ranking general security over all the assets and undertaking of the Company to secure the Tygola Loan and accumulated interest. The loan was due to be repaid on 31 December 2018 and the Company agreed an extension to the repayment date to 28 June 2019, which would also extended the date to which security was granted. Subsequently the Company obtained approval from Shareholders to allow an extension to 31 December 2019.

In addition Tygola agreed to provide an additional \$1 million loan which was also secured by a further first ranking security over the assets and undertaking of the Company in favour of Tygola ('Additional Loan Facility'). The Company also obtained approval for an increase to a maximum value of \$1.5 million.

The Company is now seeking approval from Shareholders to extend the securities until 30 September 2020. ('the Security Transaction')

Our report is prepared pursuant to the requirements of the Australian Securities Exchange ('ASX') Listing Rule 10.1, for the following reasons:

An independent expert's report is required by ASX Listing Rule 10.1, because Tygola is considered to be an associate of Mardasa Nominees Pty Ltd ('Mardasa') which is considered to be a substantial holder of Kalia and Tygola's sole owner, Peter Yunghanns, is deemed to be a substantial holder of Kalia due to his deemed relevant interest in Kalia shares through his ownership of Mardasa. ASX Listing Rule 10.1 applies when an entity acquires a substantial asset from, or disposes of a substantial asset to a substantial holder or an



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

2. Summary and Opinion

2.1 Purpose of the report

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

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

2.2 Approach

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

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

- How the value of the proceeds of the sale of assets that would be provided to Tygola under a first
 ranking security deed, in the event of a default, compares to the value of the liabilities that would be
 settled;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Security Transaction; and
- The position of Shareholders should the Security Transaction not proceed.

2.3 Opinion

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

2.4 Fairness

We conclude that the value of the proceeds of the sale of all assets and undertakings of the Company, over which a first ranking security has been granted in respect of the two loan agreements ('Secured Assets'), that would be provided to Tygola under the terms of the loan agreement in the event of a default is equivalent or lower than the value of the liabilities that would be settled. This is discussed in section 11 of our Report. Therefore, in the absence of any other relevant information, this indicates that the Security Transaction is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 12 of this report, in terms of both



- advantages and disadvantages of the Security Transaction; and
- other considerations, including the position of Shareholders if the Security Transaction does not proceed and the consequences of not approving the Security Transaction .

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

the Security Transaction is Reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANT	ADVANTAGES AND DISADVANTAGES				
Section	Advantages	Section	Disadvantages		
12.4	The Security Transaction is fair	12.5	Kalia will grant Tygola a first ranking security over all the assets of the Company to secure the Tygola Loan and Additional Loan Facility and accrued interest		
12.4	Supports debt funding	12.5	Onerous restrictions on dealing with the Company's assets		

Other key matters we have considered include:

Section	Description
12.1	Alternative Proposal
12.2	Practical Level of Control
12.3	Consequences of not approving the Security Transaction

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset to a substantial holder, or an associate of a substantial holder, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5 per cent of the equity interest at the date of the last accounts.

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

- Mardasa and Peter Yunghans are substantial holders of the Company.
- Mardasa and Tygola having a common controller, being Mr Peter Yunghanns, which makes Mardasa an associate of Tygola.



By entering into the Security Transaction, the Company is deemed to have disposed of a substantial asset, through the grant of a security interest to Tygola and (indirectly through his ownership of Tygola) Peter Yunghanns pursuant to a general security deed, under which the value of the security granted is more than 5% of the Company's equity interest at 30 June 2019.

ASX Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction (non-associated shareholders).

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

3.2 Regulatory guidance

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

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

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

3.3 Adopted basis of evaluation

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

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

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

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

• A comparison between the value of the assets being disposed and the value of the consideration (fairness-see section 11 'Is the SecurityTransaction fair?'); and



• An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see section 12 'Is the Security Transaction reasonable?')

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

A Valuation Engagement is defined by APES 225 as follows:

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

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

4. Outline of the Security Transaction

Approval is being sought by the Company to allow an extension of the security granted in respect of the Loan Facility and Additional Loan Facility up to 30 September 2020. Under the Security Transaction the Company maintains access to the loan facilities with Tygola. It should be noted the Company and Tygola have not currently agreed to an extension to that date.

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

5. Profile of Kalia

5.1 Company Background

Kalia, formerly known as GB Energy Limited, is an Australian based mining exploration company. The primary asset held by Kalia, is its interest in Bougainville Exploration Licences EL03 and EL04, in the Autonomous Region of Bougainville which comprise the Toremana Project ('Toremana Project').

The two exploration licenses (EL03 and EL04) that comprise the Toremana Project are held jointly with an incorporated landowner group, Toremana Resources Ltd ('Toremana'). Under the terms of the joint venture, Kalia holds a 75% interest in the Toremana Project, and Toremana holds 25% interest, free carried through to production. Kalia during the year disposed of an Australian mineral asset, the Indiana Project. Kalia is listed on the ASX and has its registered office in West Perth, Western Australia.

The current board of directors and senior management are:

- The Hon Mr David Johnston Non-Executive Chairman;
- Mr Michael Johnston Executive Director Corporate Development and Strategy;
- Mr Sean O'Brien Non-Executive Director;
- Mr Johnathan Reynolds Non-Executive Director
- Ms Catherine Grant-Edwards Joint Company Secretary; and
- Ms Melissa Chapman Joint Company Secretary.



Toremana Project

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

Details of the recent operations can be found in the Annual report.

5.2 Historical Statements of Financial Position

	Audited as at	Audited as at	Audited as at
Statement of Financial Position	30-Jun-19	30-Jun-18	30-Jun-17
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	2,644	291,655	57,259
Trade and other receivables	14,652	23,016	158,326
Other assets	42,237	445,158	2,872
Assets classified as available for sale	-	-	30,000
TOTAL CURRENT ASSETS	59,533	759,829	248,457
NON-CURRENT ASSETS			
Loan - Kalia Holdings Pty Ltd	-	-	600,000
Property Plant and Equipment	119,348	89,909	-
Exploration and evaluation expenditure	-	-	263,182
TOTAL NON-CURRENT ASSETS	119,348	89,909	863,182
TOTAL ASSETS	178,881	849,738	1,111,639
CURRENT LIABILITIES			
Trade payables	980,556	208,312	4,122
Borrowings	4,250,000	1,070,000	100,000
Other payables	-	285,744	315,902
TOTAL CURRENT LIABILITIES	5,230,556	1,564,056	420,024
TOTAL LIABILITES	5,230,556	1,564,056	420,024
NET ASSETS	(5,051,675)	(714,318)	691,615
EQUITY			
Issued capital	30,037,228	29,162,228	11,223,627
Reserves	(5,405,054)	(899,701)	463,635
Accumulated losses	(29,683,849)	(28,976,845)	(10,995,647)
TOTAL EQUITY	(5,051,675)	(714,318)	691,615

Source: Kalia Limited's audited financial statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019.



We note that Kalia's auditor outlined the existence of material uncertainty relating to going concern in Kalia's Annual Report for year ended 30 June 2018 and 30 June 2019. Specifically, the material uncertainty related to Company's ability to raise additional capital to fund exploration expenditure and working capital.

Commentary on Historical Statements of Financial Position

We note the following in relation to Kalia's Statement of Financial Position.

Cash and cash equivalents have decreased from 30 June 2018, as the level of activity undertaken by Kalia in relation to the Toremana project has increased, this is also reflected in the acquisition of further property plant and equipment and the increased level of drawdown on the Tygola loan facility.

The increase in reserves is primarily as a result of the reversal of the share based payment relating to the Class C Performance Rights which are now considered not probable to vest.

5.3 Historical Statements of Profit or Loss and Other Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-19 \$	Audited for the year ended 30-Jun-18 \$	Audited for the year ended 30-Jun-17 \$
Continuing Operations			
Interest Income	209	191	381
Other Income	3,750,000		
Accounting expenses	(65,002)	(51,886)	(34,880)
Administrative and employee expense	(2,217,235)	(1,844,980)	(334,432)
Depreciation and amortisation expense	(53,134)	(4,410)	(482)
Project generation	(1,585,142)	(794,483)	(46,668)
Impairment of exploration asset	-	(370,765)	(545,650)
Acquisition cost of Kalia Holdings Pty Ltd	-	(15,560,074)	-
Foreign Exchange	(15,104)	-	-
Finance cost	(443,497)	(81,182)	
Loss on sale of tenements	-	(12,800)	
Impairment of property, plant and equipment	(78,099)	-	-
Loss before income tax expense	(707,004)	(18,666,389)	(961,731)
Income tax (benefit)/expense	-	-	-
Net profit/(loss) for the period	(707,004)	(18,666,389)	(961,731)
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Exchange difference on translation of foreign operations	(42,537)	(43,585)	-
Total comprehensive profit/(loss) for the period, net of income tax	(749,541)	(18,709,974)	(961,731)

Source: Kalia Limited's audited financial statements for the years ended 30 June 2018 and 30 June 2019.



Commentary on Historical Statements of Profit or Loss and Other Comprehensive Income

We note the following in relation to Kalia's Statements of Profit or Loss and Other Comprehensive Income:

- Other income at 30 June 2019 relates to the de-recognition of the expense relating to the issue of Class C Performance Rights in relation to the acquisition of Kalia Holdings Pty Ltd as they are now considered not probable to vest.
- During the year ended 30 June 2018, the Company acquired Kalia Holdings Pty Ltd. The cost of acquisition was expensed through the profit and loss.
- Project generation expenses related to expenditure directly related to Toremana Project development activities. Exploration expenditure has increased following the acquisition of the Toremana Project, including aerial survey's undertaken.
- The impairment of exploration assets of \$545,650 for the year ended 30 June 2017 and \$370,765 for the year ended 30 June 2018 related to written off capitalised exploration expenditure for Australian tenements.

5.4 Capital Structure

The share structure of Kalia as at 20 September 2019 is outlined below:

	Number
Total ordinary shares on issue	2,514,347,391
Top 20 shareholders	1,745,712,650
Top 20 shareholders - % of shares on issue	69.43%

Source: Share registry information

The range of shares held in Kalia as at 20 September 2019 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	30	5,908	0.00%
1,001 - 5,000	15	44,649	0.00%
5,001 - 10,000	46	445,555	0.02%
10,001 - 100,000	202	11,027,848	0.44%
100,001 - and over	494	2,502,823,431	99.54%
TOTAL	787	2,514,347,391	100.00%

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 20 September 2019 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Global Resources Investment Trust PLC	480,000,000	19.09
Mr Nikolajs Zuks and Related parties	229,452,717	9.13%
Mr Graeme Eric Kirk and Related parties	175,000,000	6.96%
JP Morgan Nominees Australia Limited	150,100,000	5.97%



Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Subtotal	1,034,552,717	41.15%
Others	1,479,794,674	58.85%
Total ordinary shares on Issue	2,514,347,391	100.00%

Source: Share registry information

Outlined below are the options and performance rights Kalia has on issue as at the date of our Report:

Name	Number of Options	Exercise Price (\$)	Expiry Date
Unlisted Options	35,000,000	\$0.02	16-May-21
Unlisted Options	35,000,000	\$0.025	16-May-22
Unlisted Options	30,000,000	\$0.03	16-May-23
Class A Performance Shares	250,000,000	Nil	1-Jun-20
Class B Performance Shares	250,000,000	Nil	1-Mar-22

Source: Share registry information

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

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

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

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

6. Profile of Tygola Pty Ltd and Peter Yunghanns

6.1 Background

Tygola Pty Ltd is an Australian private company that is an entity controlled solely by Mr Peter Yunghanns.

Mr Peter Yunghanns is a lawyer and company director based out of Melbourne, Victoria. Mr Yunghanns has investment interests in property, agriculture, aquaculture, mining and industrial businesses.



7. Economic analysis

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

7.1 Australia

Domestic growth

The Reserve Bank of Australia ('RBA') is expecting GDP growth of around 2.75% over both 2019 and 2020, which is lower than previously forecast. Growth is anticipated to be supported by increased investment in infrastructure, the low level of interest rates, and a pick-up in activity in the resources sector, as mining firms invest to sustain production levels and expand productive capacity. However, there remains some uncertainty around the outlook for household consumption. Continued low growth in household income remains a key risk to the outlook for household consumption, although a pick-up in household disposable income and signs of stabilisation in the Melbourne and Sydney housing market are expected to support spending. Declines in housing prices since the start of 2019, will weigh further on household net wealth.

Employment

Strong employment growth has been evident over recent years, and labour force participation is at a record high. Over recent months, the unemployment rate has remained steady at 5.25%, though anticipated to decline to 5% over the next few years. Overall wage growth remains low, influenced by labour supply meeting the demand for labour, and caps on wages growth affecting public-sector pay outcomes. A stronger domestic economy should see a gradual lift in wage growth over time.

Inflation

Domestic inflation remains low, and suggests subdued inflationary pressures across the economy. Inflation in both headline and underlying terms was 1.6% for the June 2019 quarter. Inflation forecasts have been revised, with the RBA expecting headline and underlying inflation to be slightly below 2% over 2020, and slightly above 2% over 2021. At the RBA's October 2019 meeting, the RBA lowered the interest rates by 25 basis points to 0.75% to support employment and income growth and to provide greater confidence that inflation will be consistent with the medium-term target. In their decision, the RBA also took into account the factors which have led to the trend of lower interest rates globally.

Currency movements

The Australian dollar is currently at the low end of the narrow range that it has been trading recently. Movements in the Australian dollar tend to be related to developments in commodity prices and interest rate differentials. Since the start of the year, these two forces have been working in offsetting directions, with commodity prices generally increasing and Australian bond yields declining relative to those in other major markets.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision 6 August 2019, 3 September 2019, 2 October 2019, Minutes of the Monetary Policy Meeting 6 August 2019 and World Bank Commodity Market Outlook Report April 2019

7.2 The Autonomous Region of Bougainville

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



the Panguna Copper Gold Mine ('Panguna Mine') was established. Panguna Mine commenced production in 1972.

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

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

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

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



8. Industry analysis

8.1 Copper Industry

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

Copper Prices

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

Between 2011 and 2017, the copper price steadily declined, before increasing in price in mid-February 2017 as a result of strike action at the world's largest copper mine Escondida, located in Chile.

The average copper price from January 2018 through October 2019 was US\$6,311/t, ranging from a low of US\$5,585/t on 3 September 2019 to a high of US\$7,331/t on 7 June 2018.



Source: Bloomberg and Consensus Economics

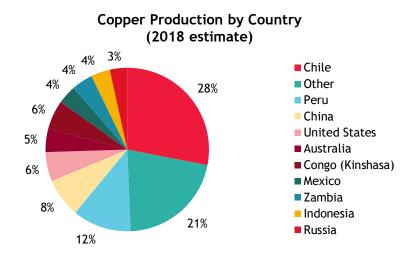
Copper Production

Most of the world's copper supply is sourced from Central and South America, specifically, Chile and Peru. Chile is the leading copper producer, with an estimated 5,800 tonnes of copper mined throughout 2018, equating to approximately 28% of the world copper production. The International Copper Study Group



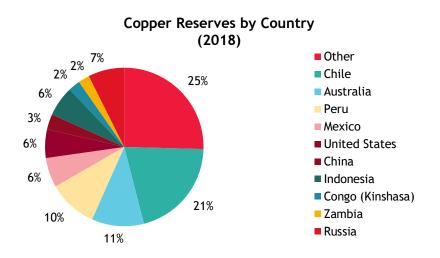
('ICSG') expects global copper production to grow by approximately 1.2% in 2019, down from expected 2018 copper growth. ICSG is expecting production growth in 2019 to be impacted by a sharp decline in output from the Grasberg Copper Mine in Indonesia, the world's second largest copper mine.

U.S Geological Survey, estimated the DRC accounted for approximately 6% of the total world copper production for 2018. The graph below exhibits estimated production output for 2018:



Source: U.S. Geological Survey

At the end of 2018, Chile, Australia and Peru are collectively estimated to account for just over 40% of global reserves of copper. A figure illustrating an estimated country breakdown of reserves for 2018 is shown below:



Source: U.S. Geological Survey



8.2 Gold Industry

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

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

A summary of the global demand of gold for the eight years through 2018 and the first two quarters of 2019 is provided in the table below:

Gold demand (tonnes)	2011	2012	2013	2014	2015	2016	2017	2018	Q1 2019	Q2 2019
Jewellery	2,104	2,157	2,726	2,532	2,459	2,101	2,237	2,241	530	532
Technology	429	381	356	348	332	323	333	335	80	81
Investment	1,734	1,618	824	894	968	1,647	1,252	1,164	299	286
Central banks	481	569	629	601	580	395	379	656	150	224
Total demand	4,748	4,726	4,535	4,375	4,338	4,466	4,201	4,397	1,059	1,123

Source: World Gold Council, 2019

Once mined, gold continues to exist indefinitely and is often melted down and recycled to produce alternative or replacement products. Consequently, demand for gold is supported by both gold ore mining and gold recycling. A summary of the global supply of gold for the eight years through 2018 and the first two quarters of 2019 is provided in the table below:

Gold supply (tonnes)	2011	2012	2013	2014	2015	2016	2017	2018	Q1 2019	Q2 2019
Mine production	2,858	2,920	3,111	3,203	3,290	3,399	3,447	3,500	848	883
Net producer hedging	23	(45)	(28)	105	13	38	(26)	(13)	2	(11)
Recycled gold	1,651	1,671	1,248	1,188	1,121	1,282	1,156	1,168	287	315
Total supply	4,531	4,546	4,330	4,495	4,424	4,718	4,577	4,654	1,137	1,187

Source: World Gold Council, 2019

As shown in the tables above, the gold industry (the 'Industry') has performed steadily in recent years possibly related to the general stability of the gold price from 2017 to the second quarter of 2019. In particular, gold mine production has been showing an increasing trend with a compound annual growth rate of 2.94% from 2011 to 2018.

Key external drivers

Global gold prices have a significant impact on the revenue generated by Industry operators. When gold prices are low, gold miners are less likely to commit to projects with lower gold grades and higher production costs. Ultimately, a decline in gold prices reduces the viability of new and existing projects, which hinders Industry growth.



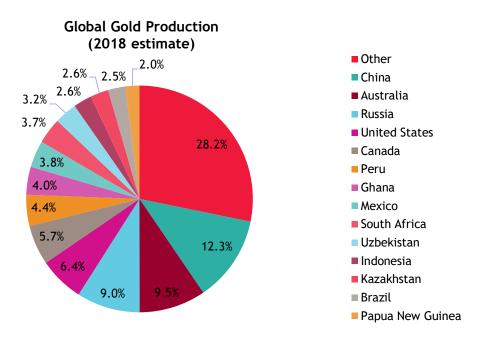
Global demand for gold is also inversely related to global economic performance. As gold is regarded as a store of value and is particularly sought after during periods of economic uncertainty, demand follows a counter-cyclical pattern. Strong global GDP growth can therefore have a negative impact on gold demand and the Industry.

Gold ore mining trends

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

Until the late 1980s, South Africa produced approximately half of the total gold ore mined globally. More recently however, the Industry has diversified geographically and China and Australia now dominate global gold production.

According to the 2019 United States Geological Survey ('USGS'), total estimated global gold ore mined for 2018 was approximately 3,261 metric tonnes. The chart below illustrates the global gold production by country for 2018:

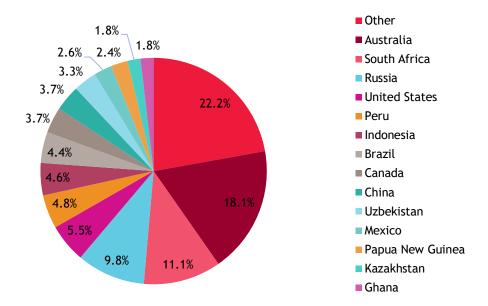


Source: United States Geological Survey and BDO analysis

Despite China being the largest gold producer, Australia and South Africa are endowed with the largest known gold mine reserves globally. As depicted in the graph below, collectively these two countries account for 40% of global gold reserves.



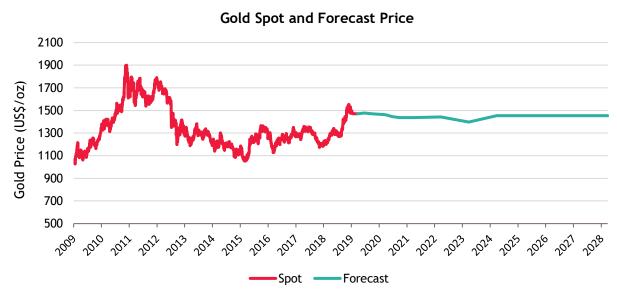
Global Gold Reserves (2018 estimate)



Source: United States Geological Survey and BDO analysis

Gold prices

The gold spot price since 2009 and forecast prices through to 2028 are depicted in the graph below:



Source: Bloomberg and Consensus Economics



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

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

During 2016, gold prices strengthened, likely as a result of heightened uncertainty surrounding the US Presidential election and the United Kingdom's exit from the European Union. The price of gold reached US\$1,363 in late 2016 before stabilising around US\$1,200 to US\$1,300 throughout 2017.

The gold price fluctuated throughout 2018. In January 2018, the gold price strengthened, rising to approximately US\$1,360, spurred on by a weak US dollar. From April 2018 through to August 2018, the price of gold trended downwards and remained flat throughout the remainder of 2018.

The gold price then rose sharply in May 2019 through to September 2019 to reach a high of US\$1,553 on 4 September 2019, likely as a result of the trade tensions between China and the US as well as general uncertainty in the global markets.

Global investors are expected to continue to favour gold as a safe haven asset throughout much of 2019, as higher levels of global risk and uncertainty persist, with instability in Europe, and the potential for higher inflation levels. Consensus Economics forecasts the gold price to remain steady between US\$1,400 and US\$1,500 in the medium to long term.



9. Valuation approach adopted

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

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

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

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

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



10. Valuation of security provided and liabilities settled

10.1 Value of security provided as security in event of default

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

10.2 Value of liabilities settled by the provision of the security

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



11. Is the Security Transaction fair?

As stated in section 10, the Security Transaction is fair if the value of the security provided is equal to or less than the value of the liabilities settled in the event of default under the Tygola Loan. In the scenario that the value of the Secured Assets is greater than or equal to the amounts owed to Tygola, and there is an event of default, then Tygola would only be entitled to recover the principal and interest accrued under the Tygola Loan. In a scenario that the value of the Company's Assets is less than the amounts owed to Tygola, in an event of default, then the Company's Assets would be sold and the proceeds provided to Tygola. This can be summarised as follows:

Scenario		Consequence			Fairness
Security Provided	> Liabilities To B	e Settled Security Provided	= Li	iabilities To Be Settled	Fair
Security Provided	= Liabilities To B	e Settled Security Provided	= Li	iabilities To Be Settled	Fair
Security Provided	< Liabilities To Bo	e Settled Security Provided	< Li	iabilities To Be Settled	Fair

Source: BDO analysis

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

12. Is the Security Transaction reasonable?

12.1 Alternative Proposal

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

12.2 Practical Level of Control

The extension of Security does not change the practical level of control, we do not consider the Security Transaction to be a control Transaction.

12.3 Consequences of not Approving the Security Transaction

The Company will have to attract funds from elsewhere

Kalia's auditor outlined the existence of material uncertainty relating to going concern in Kalia's Annual Report for years ended 30 June 2019 and 30 June 2018; specifically, the material uncertainty related to the Company's working capital deficiency.

If the Security Transaction is not approved, the Directors of Kalia will need to raise funds through alternative methods, this may include other capital raisings, debt funding and/or asset sales. As noted in section 12.1 above, we are unaware of any alternative proposals available to the Company.

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



12.4 Advantages of Approving the Security Transaction

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

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

12.5 Disadvantages of Approving the Security Transaction

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

13. Conclusion

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



14. 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;
- The General Security Deed between Kalia and Tygola dated 17 January 2019;
- The loan agreement between Kalia and Tygola dated 17 January 2019
- Audited financial statements of Kalia for the years ended 30 June 2019, 30 June 2018 and 30 June 2017;
- Reviewed accounts of Kalia for the period ended 31 December 2018;
- Share registry information;
- Information in the public domain:
 - ASX announcements;
 - United States Geological Survey publication;
 - IBISWorld Report;
 - Autonomous Bougainville Government announcements;
 - Reserve Bank of Australia monthly statement;
 - Consensus Economics publication;
 Bloomberg data.; and
- Discussions with Directors and Management of Kalia.

15. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$12,000 (excluding GST and reimbursement of out of pocket expenses). Our fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

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

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

Within the past two years, neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd have had any professional relationship with Kalia Limited or their associates, other than in connection with the preparation of this report and for the provision of an Independent Experts Report issued in April 2018 for which a fee of approximately \$22,000 was received. BDO previously completed an Independent Experts' report in March 2019 for which a fee of approximately \$25,000 was received



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

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16. Qualifications

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

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

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

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

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 21 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

17. Disclaimers and consents

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

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the Explanatory Memorandum and Notice of Meeting. Apart from such use, neither the whole nor any part of this report,



nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

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

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

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

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

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

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

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Adam Myers

Sherif Andrawes

Director

Director



Appendix 1 - Glossary of Terms

Reference	Definition				
ABG	Autonomous Bougainville Government				
The Act	The Corporations Act 2001 Cth				
Agricola	Agricola Mining Consultants Pty Ltd				
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'				
ASIC	Australian Securities and Investments Commission				
ASX	Australian Securities Exchange				
Additional Loan Facility	The \$1.5m loan facility entered into between Kalia and Tygola dated 17 January 2019				
BDO	BDO Corporate Finance (WA) Pty Ltd				
EL03	Bougainville Exploration Licence 03				
EL04	Bougainville Exploration Licence 04				
Bougainville	Autonomous Region of Bougainville				
The Company	Kalia Limited				
Corporations Act The Corporations Act 2001 Cth					
DCF	Discounted Future Cash Flows				
EBIT	Earnings before interest and tax				
EBITDA	Earnings before interest, tax, depreciation and amortisation				
FME	Future Maintainable Earnings				
FOS	Financial Ombudsman Service				
FSG	Financial Services Guide				
GB Energy	GB Energy Limited				
GDP	Gross Domestic Product				



Reference	Definition				
GRIT	Global Resources Investment Trust plc				
GRIT Transaction	The acquisition of 27.71% of Kalia Holdings from GRIT, with consideration in the form of 480,000,000 shares in Kalia				
Indiana Project	Kalia's tenements located in the Northern Territory				
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)				
Kalia	Kalia Limited				
Kalia Holdings	Kalia Holdings Pty Ltd				
Kalia Investments	Kalia Investments Ltd				
Kimberly Project	Kalia's tenements located in Western Australia				
LME	London Metal Exchange				
LSE	London Stock Exchange				
Mardasa	Mardasa Nominees Pty Ltd				
NAV	Net Asset Value				
The Option	120 day put option to acquire 100% of Kalia Holdings				
Panguna	Panguna copper mine, located in Bougainville				
QMP	Quoted market price				
RBA	Reserve Bank of Australia				
Regulations	Corporations Act Regulations 2001 (Cth)				
Our Report	This Independent Expert's Report prepared by BDO				
RG 74	Acquisitions approved by Members (December 2011)				
RG 111	Content of expert reports (March 2011)				
RG 112	Independence of experts (March 2011)				
Section 411	Section 411 of the Corporations Act				
Section 611 Section 611 of the Corporations Act					



Reference	Definition			
Secured Assets	All assets and undertakings of the Company over which a first ranking security has been granted in respect of the two loan agreements			
Security Transaction	The proposed extension of the security interests associated with the Loan Facility and Additional Loan Facility and their respective general security deeds			
Shareholders	Shareholders of Kalia			
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies			
Toremana Project	BEL03 and BEL04			
Toremana	Toremana Resources Ltd			
The Transaction Document	The Notice of Meeting			
Tygola	Tygola Pty Ltd			
Tygola Loan	A \$3 million loan facility with Tygola			
USD	United Stated Dollar			
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)			
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.			
VWAP	Volume Weighted Average Price			
WACC	Weighted Average Cost of Capital			



Appendix 2 - Valuation Methodologies

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

1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

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

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

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

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

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

2 Quoted Market Price Basis ('QMP')

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

3 Capitalisation of future maintainable earnings ('FME')

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



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

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

4 Discounted future cash flows ('DCF')

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

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

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

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

5 Market Based Assessment

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

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The Directors
BDO Corporate Finance (WA) Pty Ltd
38 Station Street
SUBIACO, WA 6008

Australia

PROXY FORM

KALIA LIMITED ACN 118 758 946

ANNUAL GENERAL MEETING

I/We						
of:						
being a Shar	eholder entitled to at	tend and vote at t	he Meeting, her	reby appoint:		
Name:						
OR:	the Chair of the	Meeting as my/ou	proxy.			
accordance v laws as the pro	person so named or, with the following directory sees fit, at the Meetring Street, Perth, WA	ctions, or, if no directions to be held at	ctions have bee 10:00 am, on 29	n given, and sub November 2019	oject to the rel	evant
AUTHORITY FO	R CHAIR TO VOTE UNI	DIRECTED PROXIES	ON REMUNERATI	ON RELATED RES	SOLUTIONS	
have indicate indirectly with Chair. CHAIR'S VOTIN The Chair inte the Chair ma	expressly authorise the da different voting the remuneration of NG INTENTION IN RELA ands to vote undirected change his/her vont will be made imme	intention below) e i a member of the TION TO UNDIRECT ed proxies in favou ting intention on o	ven though Res Key Managem ED PROXIES or of all Resolution.	ons. In exception the event	nnected direction which included the control of the	etly or es the ances
Voting on bu	siness of the Meeting			FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remune	eration Report				ABSTAIN
Resolution 2	Re-Election of Direct	•				
Resolution 3	Election of Director -	- Jonathan Reynolds				
Resolution 4	Election of Director -	- Michael Johnston				
Resolution 5	Consolidation of Ca					
Resolution 6	Change of Compar					
Resolution 7	Approval of 10% Pla	cement Capacity				
Resolution 8	Approval to Extend	ests				
	ou mark the abstain bo show of hands or on a p					
If two proxies ar	e being appointed, the	proportion of voting r	ights this proxy re	presents is:		%
Signature of St	nareholder(s):					
Individual or S	hareholder 1	Shareholder 2		Sharehold	er 3	
Sole Director/Company Secretary Director			Director/Co	ompany Secreto	ary	
Date:			_			
Contact name:			Contact ph (daytime):			
E-mail address	s:			ontact by e-mo		10 <u> </u>

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Instructions for completing Proxy Form

- 1. (Appointing a proxy): A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
- 2. (**Direction to vote**): A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.

3. (Signing instructions):

- (Individual): Where the holding is in one name, the Shareholder must sign.
- (**Joint holding**): Where the holding is in more than one name, all of the Shareholders should sign.
- (**Power of attorney**): If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- (Companies): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
- 4. (Attending the Meeting): Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
- 5. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Kalia Limited, PO Box 1470 West Perth WA 6872; or
 - (b) email to the Company at Email: external.relations@kaliagroup.com,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

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LODGE YOUR PROXY APPOINTMENT
ONLINE

ONLINE PROXY APPOINTMENT

www.advancedshare.com.au/investor-login

MOBILE DEVICE PROXY APPOINTMENT

Lodge your proxy by scanning the QR code below, and enter your registered postcode.

It is a fast, convenient and a secure way to lodge your vote.

2019 ANNUAL GENERAL MEETING PROXY FORM

I/We being shareholder(s) of Kalia Limited and entitled to attend and vote hereby:

Δ	PΡ	O	IN.	ΤΔ	PR	OX	Υ

The Chair of the meeting

OR

FLEASE NOTE: If you leave the section blank, the Chair of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) named, the Chair of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Annual General Meeting of the Company to be held at HLB Mann Judd, Level 4, 130 Stirling Street, Perth , WA 6000 on 29 November 2018 at 10:00am WST and at any adjournment or postponement of that Meeting.

Chair authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Item 1 (except where I/we have indicated a different voting intention below) even though this Item is connected directly or indirectly with the remuneration of a member(s) of key management personnel, which includes the Chair. I/we acknowledge the Chair of the Meeting intends to vote all undirected proxies available to them in <u>favour</u> of each Item of Business.

VOTING DIRECTIONS

Ag	genda Items	For	Against	Abstain*		
1	ADOPTION OF REMUNERATION REPORT					
2	RE-ELECTION OF DIRECTOR – SEAN O'BRIEN					
3	ELECTION OF DIRECTOR – JONATHAN REYNOLDS					
4	ELECTION OF DIRECTOR – MICHAEL JOHNSTON					
5	CONSOLIDATION OF CAPITAL					
6	CHANGE OF COMPANY NAME					
7	APPROVAL OF 10% PLACEMENT CAPACITY					
8	APPROVAL TO EXTEND TERM OR SECURITY INTERESTS					
	* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on					

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

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, all the shareholders should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address

Please tick here to agree to receive communications sent by the company via email. This may include meeting notifications, dividend remittance, and selected announcements.

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.

CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chair as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

DEFAULT TO THE CHAIR OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chair of the Meeting.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on an item, your vote on that item will be invalid.

PROXY VOTING BY KEY MANAGEMENT PERSONNEL

If you wish to appoint a Director (other than the Chair) or other member of the Company's key management personnel, or their closely related parties, as your proxy, you must specify how they should vote on Item 1, by marking the appropriate box. If you do not, your proxy will not be able to exercise your vote for Item 1.

PLEASE NOTE: If you appoint the Chair as your proxy (or if they are appointed by default) but do not direct them how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), the Chair may vote as they see fit on that item.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) On each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) Return both forms together.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual

Where the holding is in one name, the security holder must sign.

Joint Holding:

Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney:

If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.

Companies:

Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR PROXY FORM

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 10:00am WST on 27 November 2019, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled meeting.



ONLINE PROXY APPOINTMENT

www.advancedshare.com.au/investor-login



BY MAIL

Advanced Share Registry Limited 110 Stirling Hwy, Nedlands WA 6009; or PO Box 1156, Nedlands WA 6909



BY FAX

+61 8 9262 3723



BY EMAIL

admin@advancedshare.com.au



IN PERSON

Advanced Share Registry Limited 110 Stirling Hwy, Nedlands WA 6009



ALL ENQUIRIES TO

Telephone: +61 8 9389 8033