CALLABONNA RESOURCES LIMITED [ACN 099 247 408]

NOTICE OF GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

TIME: 10.00am (Melbourne time)

DATE: Tuesday, 15 September 2015

PLACE: Christie Conference Centre Melbourne
Lower Ground Level, 454 Collins Street, Melbourne, Victoria, 3000

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

Nexia Melbourne Pty Ltd [ABN 32 052 362 348] has prepared an Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolution 3 of this Notice of General Meeting is fair and reasonable to the non-associated shareholders of the Company. A copy of the Independent Expert's Report is contained in Annexure One of this Notice of General Meeting. It is recommended that all shareholders read the Independent Expert's Report in full.

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9388 8290.

NOTICE OF GENERAL MEETING
CALLABONNA RESOURCES LIMITED [ACN 099 247 408]

Notice is given that a General Meeting (**Meeting**) of Callabonna Resources Limited [ACN 099 247 408] (**Company** or **CUU**) will be held at 10.00am on Tuesday, 15 September 2015 at Christie Conference Centre Melbourne, Lower Ground Level, 454 Collins Street, Melbourne, Victoria, 3000.

Each of the resolutions proposed to be put to shareholders at the Meeting are set out in this Notice of General Meeting (**Notice**) and further details regarding those resolutions are set out in the Explanatory Memorandum accompanying this Notice. The details of the resolutions contained in the Explanatory Memorandum should be read together with, and form part of, this Notice. Terms used and defined in the Explanatory Memorandum have the same meanings when used in this Notice.

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 of the Company at 10.00am (Melbourne time) on 13 September 2015.

BUSINESS

RESOLUTION 1: APPROVAL FOR CHANGE OF ACTIVITIES

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

> **"That subject to each of the other Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for:**
>
> - **the Company to make a significant change in the scale of its activities as described in the Explanatory Memorandum which accompanies and forms part of the Notice of General Meeting; and**
> - **in connection with making that change, conduct the capital raising placement which is the subject of Resolution 8 at an issue price of $0.055 per share (which is less than the $0.20 required by ASX Listing Rule 2.1 [Condition 2]).**"

VOTING EXCLUSION

The Company will disregard any votes cast on this resolution by any person and any associates of those persons who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the resolution is passed. 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.

RESOLUTION 2: CONSOLIDATION

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

> **"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Section 254H of the Corporations Act 2001 (Cth), section 10.1 of the Company's Constitution and for all other purposes, the issued capital of the Company be consolidated on the basis that every ten (10) ordinary shares be consolidated into one (1) ordinary share, with any resulting fractions of a share rounded up to the next whole number of shares, on the terms**

set out in the Explanatory Memorandum which accompanies and forms part of the Notice of General Meeting."

RESOLUTION 3: APPROVAL FOR ISSUE OF SHARES TO ALICE QUEEN VENDORS

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, shareholders approve the issue of 110,700,298 fully paid ordinary shares in the Company (issued on a post-consolidation basis) to the Alice Queen Vendors and the acquisition by the Alice Queen Vendors of a relevant interest in up to 57.42% of the Company's ordinary shares as described in the Explanatory Memorandum which accompanies and forms part of the Notice of General Meeting."

VOTING EXCLUSION

No votes may be cast in favour of this resolution by any of the Alice Queen Vendors or any of their associates. However, the Company will not disregard a vote on this resolution if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or 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.

RESOLUTION 4: APPOINTMENT OF DIRECTOR – ANDREW BUXTON

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to each of the other Acquisition Resolutions being passed, Mr Andrew Buxton, a person who being eligible and having consented to act, be elected as a director of the Company on and from the date of successful completion of the Company's acquisition of Alice Queen Holding Pty Ltd."

RESOLUTION 5: APPOINTMENT OF DIRECTOR – BRUCE FULTON

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to each of the other Acquisition Resolutions being passed, Mr Bruce Fulton, a person who being eligible and having consented to act, be elected as a director of the Company on and from the date of successful completion of the Company's acquisition of Alice Queen Holding Pty Ltd."

RESOLUTION 6: APPOINTMENT OF DIRECTOR – MARK KERR

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to each of the other Acquisition Resolutions being passed, Mr Mark Kerr, a person who being eligible and having consented to act, be elected as a director of the Company on and from the date of successful completion of the Company's acquisition of Alice Queen Holding Pty Ltd."

RESOLUTION 7: APPINTMENT OF DIRECTOR – JOHN HOLLIDAY

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to each of the other Acquisition Resolutions being passed, Mr John Holliday, a person who being eligible and having consented to act, be elected as a director of the Company on and from the date of successful completion of the Company's acquisition of Alice Queen Holding Pty Ltd."

RESOLUTION 8: APPROVAL FOR CAPITAL RAISING

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to each of the other Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up 63,636,364 ordinary fully paid shares (on a post-consolidation basis) at an issue price of $0.055 per share to raise up to $3,500,000 (before costs) on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

VOTING EXCLUSION

The Company will disregard any votes cast on this resolution by any person and any associates of those persons who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. 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.

RESOLUTION 9A-9C: APPROVAL FOR PARTICIPATION BY EXISTING DIRECTORS IN CAPITAL RAISING

RESOLUTION 9A: APPROVAL FOR MICHAEL RAETZ TO PARTICIPATE IN CAPITAL RAISING

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT, for the purposes of ASX Listing Rule 10.11 and for all other purposes, shareholders approve the participation by Michael Raetz, a Director of the Company, (or his associates) in the Capital Raising for up to $50,000 (909,091 ordinary shares) as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting."

A voting exclusion applies to this resolution and is set out below.

RESOLUTION 9B: APPROVAL FOR PHILLIP HARMAN TO PARTICIPATE IN CAPITAL RAISING

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT, for the purposes of ASX Listing Rule 10.11 and for all other purposes, shareholders approve the participation by Phillip Harman, a Director of the Company, (or his associates) in the Capital Raising for up to $50,000 (909,091 ordinary shares) as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting."

A voting exclusion applies to this resolution and is set out below.

RESOLUTION 9C: APPROVAL FOR JEFFERY WILLIAMS TO PARTICIPATE IN CAPITAL RAISING

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT, for the purposes of ASX Listing Rule 10.11 and for all other purposes, shareholders approve the participation by Jeffery Williams, a Director of the Company, (or his associates) in the Capital Raising for up to $50,000 (909,091 ordinary shares) as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting."

A voting exclusion applies to this resolution and is set out below.

VOTING EXCLUSION RESOLUTIONS 9A – 9C

The Company will disregard any votes cast on these resolution by a person who is to receive the securities or any or their associates. However, the Company need not disregard a vote on these resolution if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or 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.

RESOLUTION 10: CHANGE OF COMPANY NAME

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

> **"That, subject to the Company successfully completing the acquisition of Alice Queen Holding Pty Ltd, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to 'Alice Queen Limited'."**

RESOLUTION 11 - APPROVAL OF EMPLOYEE SHARE OPTION PLAN

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

> **"THAT for the purposes of ASX Listing Rule 7.2 Exception 9 approval is given for the adoption of the Callabonna Employee Share Option Plan on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting."**

VOTING EXCLUSION

The Company will disregard any votes cast on this resolution by a Director of the Company or any associate of a Director of the Company. However, the Company need not disregard a vote on this resolution if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form and 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. The Company will also disregard votes cast as a proxy by a member of the Company's key management personnel (including the Directors) or any of those persons' closely related parties (such as close family members and any controlled companies of those persons) (collectively referred to as a "**Restricted Voter**"). However, the Company need not disregard a vote cast on this resolution if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, pursuant to an express authorisation on the Proxy Form.

Dated: 12 August 2015

By the order of the Board

Ian Hobson
Company Secretary

The accompanying Explanatory Memorandum and the Proxy and Voting Instructions form part of this Notice.

PROXY AND VOTING INSTRUCTIONS

PROXY INSTRUCTIONS

A member who is entitled to vote at a meeting may appoint:

- one proxy if the member is only entitled to one vote; and
- one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at the registered office of the Company or sent by facsimile transmission to (08) 9388 8256 no less than 48 hours before the time for holding the Meeting, or adjourned Meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act 2001 (Cth). A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the Meeting (**Chair**) as your proxy.

A proxy form is attached to this Notice.

HOW THE CHAIRMAN WILL VOTE UNDIRECTED PROXIES

Subject to the restrictions which apply to Resolution 11 below, the Chair of the meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions.

PROXIES THAT ARE UNDIRECTED ON RESOLUTION 11

If you appoint the Chair of the meeting as your proxy and you are not a Restricted Voter by marking the box, and submitting the proxy form, you authorise the Chair to exercise the proxy even though Resolution 11 is connected directly or indirectly with the remuneration of a member of the Company's key management personnel, and you will be taken to have directed the Chair to vote in accordance with his stated intention to vote in favour of Resolution 11.

CORPORATE REPRESENTATIVES

Any corporation which is a member of the Company may appoint a proxy, as set out above, or authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

Corporate representatives are requested to bring appropriate evidence of appointment as a representative in accordance with the constitution of the Company. Attorneys are requested to bring the original or a certified copy of the power of attorney pursuant to which they were appointed. Proof of identity will also be required for corporate representatives and attorneys.

VOTING ENTITLEMENT

For the purposes of the Corporations Act and Corporations Regulations, shareholders entered on the Company's Register of Members as at 10.00am (Melbourne time) on 13 September 2015 are entitled to attend and vote at the meeting.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

SPECIAL RESOLUTIONS

For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution. Resolution 10 is a special resolution.

CALLABONNA RESOURCES LIMITED [ACN 099 247 408]

EXPLANATORY MEMORANDUM

PURPOSE OF INFORMATION

This Explanatory Memorandum (**Memorandum**) accompanies and forms part of the Notice of General Meeting (**Notice**) issued to convene a general meeting (**Meeting**) of the shareholders of Callabonna Resources Limited (**Company** or **CUU**) to be held at 10am (Melbourne time) on Tuesday, 15 September 2015 at Christie Conference Centre Melbourne, Lower Ground Level, 454 Collins Street, Melbourne, Victoria, 3000. The Notice incorporates, and should be read together with, this Memorandum.

TRANSACTION AND RESOLUTIONS

1. General Background

On 12 March 2015 the Company announced that it had entered into a binding terms sheet to acquire all of the issued share capital of Alice Queen Holding Pty Ltd (**Alice Queen**). The acquisition of Alice Queen is referred to in this Memorandum as the "**Transaction**".

Alice Queen is an Australian private company formed for the purposes of pursuing mineral exploration. Alice Queen, through its subsidiary entities, holds rights to a minerals exploration project that is prospective for gold located in Horn Island, Queensland (**Horn Island Gold Project**) and a minerals exploration project that is prospective for copper and gold located in New South Wales (**Looking Glass Project**).

The Transaction is to be effected by acquisition of all of the existing equity interests of Alice Queen from its shareholders (who are referred to as the **Alice Queen Vendors**).

The consideration for the acquisition of Alice Queen will be satisfied through the issue of 110,700,298 (post-consolidation) ordinary fully paid CUU shares, issued at a deemed post-consolidation issue price of $0.055 (5.5 cents) per share. Shareholder approval for the issue of those shares is sought through Resolution 3.

The Transaction is subject to the following:

- shareholders of the Company passing each of the resolutions set out in the Notice (other than Resolutions 9A-9C and Resolutions 10 and 11) (the **Acquisition Resolutions**) at the Meeting;
- the Company conducting and securing subscriptions from investors of not less than $3.5 million under the Capital Raising (described further and defined below);
- the Company completing the acquisition of Alice Queen; and
- ASX conditionally confirming that it will re-admit the Company to the Official List of ASX (noting that it is expected that the Company's ordinary shares will be suspended from trading from the date on which the Acquisition Resolutions are approved until completion of the Transaction).

2. Overview of Meeting Resolutions

All the Acquisition Resolutions (being each of the resolutions set out in the Notice other than Resolutions 9A-9C and Resolutions 10 and 11) are interdependent. Accordingly, if any of the Acquisition Resolutions are not approved by the Company's shareholders the Transaction will fail and not be completed. An overview of each of the resolutions in the Notice (including the Acquisition Resolutions) is set out below:

(a) **(Resolution 1)** The change in the scale of the activities of the Company which will result as a consequence of the acquisition of Alice Queen requires shareholder approval under ASX Listing Rule 11.1.2. Approval will also be specifically sought to permit the offer of securities under the Capital Raising at $0.055 per share. Although this is less than the $0.20 required under ASX Listing Rule 2.1 [Condition 2], the Company has obtained a waiver to permit the issue at $0.055 per share. The wavier is conditional upon shareholders approving the issue price as part of the approval sought under ASX Listing Rule 11.1.2.

(b) **(Resolutions 2, 8 and 9A, 9B and 9C)** The Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules and, as a step to achieve this, will:

(i) Undertake a 10:1 consolidation (**Consolidation**) of its ordinary shares, for which shareholder approval is being sought (if approved, the Consolidation will take effect following the Meeting in accordance with the ASX timetable set out in the Memorandum).

(ii) Complete a capital raising, to raise $3.5 million (through the issue of 63,636,364 post-Consolidation shares at $0.055 per share) (**Capital Raising**). Approval will be sought for the existing Directors of the Company to participate in the Capital Raising however the transaction is not conditional on that approval being obtained.

(c) **(Resolutions 3)** The consideration payable to the Alice Queen Vendors for the acquisition of Alice Queen is the issue of 110,700,298 ordinary CUU shares (issued on a post-Consolidation basis) and shareholder approval will be sought for the issue of those shares.

(d) (**Resolutions 4, 5, 6, 7)** On successful completion of the Transaction, the Company has agreed, subject to shareholder approval, to appoint 4 directors nominated by Alice Queen to the CUU Board.

(e) **(Resolution 10)** The Company intends to change its name to Alice Queen Limited on completion of the Transaction, and shareholder approval by way of a special resolution is required to effect that change. The Transaction is not conditional on approval of the name change being obtained.

(f) **(Resolution 11)** The Company will seek approval for the adoption of an employee share option scheme to provide a mechanism for the future grant of employee option incentives to key staff and consultants. No options will be issued to any Directors of the Company without separate shareholder approval.

Further details in respect of each of the proposed resolutions, Alice Queen (including the Looking Glass Project and the Horn Island Gold Project) and the proposed Transaction are set out in the remainder of this Memorandum.

3. Effect on Capital Structure

The effect of the Transaction on the capital structure of the Company is set out in the tables below:

SHARES (post-Consolidation)	
Existing CUU Shares ^	18,450,050 ^ (9.57%)
New CUU shares to be issued to Alice Queen Vendors (refer Resolution 3)	110,700,298 (57.42%)
New CUU shares issued under Capital Raising (refer Resolution 9)	63,636,364 (33.01%)
Total Shares following Transaction	**192,786,712**

Note to Table:

^Existing CUU shares subject to rounding on completion of consolidation (refer Resolution 2).

Upon completion of the Transaction the Company will, subject to rounding, have the following options on issue:

- 1,328,235 (post-Consolation) unlisted options exercisable at 30 cents and expiring on 30 June 2017; and
- 2,030,770 (post-Consolidation) unlisted options exercisable at 30 cents and expiring on 31 December 2017.

ALICE QUEEN AND THE ALICE QUEEN PROJECTS

1. Company Overview

Please note, much of the information concerning the geology of the Tenements as disclosed in this Section is based upon the descriptions and conclusions expressed in the Independent Geology Report annexed to this Memorandum. You should read that report to gain an understanding of the Tenements and their prospectivity.

As noted elsewhere in this Memorandum, Alice Queen is an Australian private company formed for the purpose of pursuing mineral exploration to discover and if appropriate develop economic mineral deposits.

Alice Queen owns the majority interests (84.5% and 90% respectively) in two exploration projects;

- the Horn Island Gold Project located in the Torres Strait; and
- the Looking Glass Project a copper/gold porphyry prospect located within the Lachlan Fold Belt in northern New South Wales.

Alice Queen holds its interest in the projects by way of an equity interest in two proprietary companies, Kauraru Gold Pty Ltd (**Kauraru Gold**) and Monzonite Metals Pty Ltd (**Monzonite**

Metals), which hold tenements that cover the project areas for the Horn Island Gold Project and the Looking Glass Project respectively.

2. Kauraru Gold

Kauraru Gold holds the tenements which make up the Horn Island Gold Project.

Alice Queen holds an 84.5% equity interest in Kauraru Gold the remaining equity interests in Kauraru Gold being held as follows:

- 7.5% held by the Kaurareg Aboriginal Land Trust (**KALT**) on behalf of the Kaurareg Aboriginal People; and
- 8% held (directly and indirectly) by the founders of Kauraru Gold and Proposed Directors of CUU, being Andrew Buxton (2%), Mark Kerr (2%), John Holliday (2%) and Bruce Fulton (2%).

Alice Queen has agreed with the remaining shareholders of Kauraru Gold that it will solely fund the Horn Island Gold Project through to commercial production.

3. Monzonite Metals

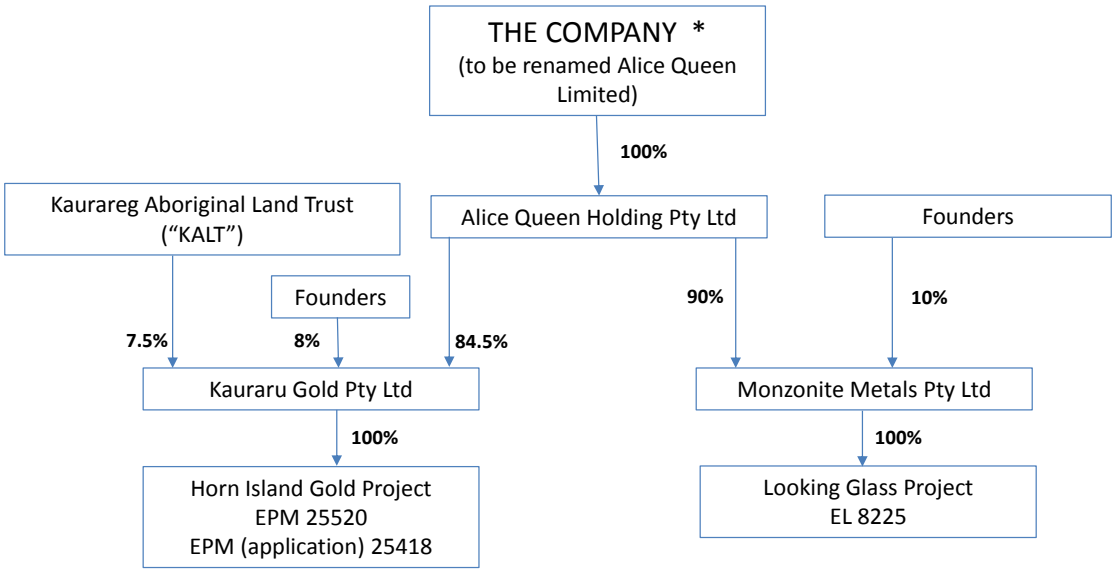
Monzonite Metals holds the tenement which makes up the Looking Glass Project.

Alice Queen holds a 90% equity interest in Monzonite Metals. The remaining equity interests are held (directly and indirectly) by the founders of Monzonite Metals and Proposed Directors of Callabonna, being Andrew Buxton (2%), Mark Kerr (2%), John Holliday (4%) and Bruce Fulton (2%).

Alice Queen has agreed that it will solely fund the Looking Glass Project through to commercial production.

4. Proposed Group Structure

The proposed corporate structure of the Company following completion of the Transaction is set out below:



** The Company currently has a number of other existing dormant subsidiary entities.*

5. Project Summaries

(a) Horn Island Gold Project, Torres Straits

The Horn Island Gold Project is a brownfields gold project that is prospective for gold bearing Carbo-Permian style vein/breccia mineralisation. The Horn Island Gold Project is comprised of Exploration Permit 25520 (granted 8 October 2014) and Exploration Permit Application 25418 (grant pending).

Gold was discovered on Horn Island in late 1800's and the first bulk mining was undertaken in 1907. A more modern operation was established by Augold Pty Ltd in 1987 but was closed in 1989 for reasons which appear to have included the rapid deterioration of the gold price. In 1989 the Queensland government imposed a restriction over the area which precluded any further mining or exploration activity. In July 2013, Alice Queen made a formal submission to the Queensland government to have these restrictions lifted and to allow exploration to recommence. This submission was made with the support of the KALT who, as noted above, are partners in the Horn Island Gold Project by virtue of their 7.5% shareholding interest in Kauraru Gold. In December 2013, the Queensland Government announced the lifting of the restrictions over the area and in October 2014 Kauraru Gold was successful in its application for Exploration Permit 25520.

Alice Queen commenced assessing the geological potential of the area over the former mine on the basis that:

- There had been no exploration since 1989 and as such it was a uniquely under-explored, gold-mineralised area.
- The gold mineralisation style whilst poorly understood exhibited characteristics which suggest it may be intermediate sulphidation (carbonate-base metal style) mineralisation, or intrusion-related gold mineralisation, which has the potential to extend to much greater depths than was ever drilled pre-1989. The majority of past drilling reached a maximum of 50m in vertical depth.

(b) Looking Glass Project, Northern NSW

The Looking Glass Project is a greenfields project targeting copper gold porphyry systems. It is located on the Lachlan Fold Belt, approx. 30km north-west of Coonabarabran in Northern New South Wales. The Looking Glass Project comprises Exploration Licence 8225 (granted 6 January 2014).

Looking Glass is targeting mineralisation on the northwards continuation of the Molong Volcanic Arc which contains the Cadia Ridgeway gold-copper porphyry deposit and Copper Hill copper-gold porphyry deposit, among others. Historical records of this area suggest that new porphyry complexes are unlikely to be discovered on the exposed part of the Molong Volcanic Arc which has been well explored. The Looking Glass Project is situated in the undercover northern extension of the Molong Volcanic Arc and the basement rocks have not been the subject of previous exploration for gold or base metal mineralisation.

6. Detailed Project Overview - Horn Island Gold Project, Torres Strait, Queensland

(a) Background

Kauraru Gold was established to explore areas within Kaiwalagal (the Torres Strait Islands) held under EL 25520 and ELA 25418 (application). As noted above, Alice Queen holds an 84.5% in Kauraru Gold and has agreed to free-carry the remaining shareholders of Kauraru Gold through to commercial production. These minority shareholders include the Kaurareg Aboriginal Land Trust or KALT (holding 7.5% of Kauraru Gold) which own Aboriginal Freehold Title over part of the area on behalf of the Kaurareg Aboriginal People, the traditional owners of the area.

Gold mineralisation at Horn Island has previously been interpreted to be part of the Kennedy Province which covers part of northern Queensland. It is interpreted to display some similarities with mineralisation in known deposits elsewhere in that the province such as at Kidston and Ravenswood.

Horn Island is located on the partly submerged Badu-Weymouth Belt (formerly Cape York – Oromio Ridge) of the Carboniferous-Permian Kennedy (Igneous) Province. The Badu-Weymouth Belt comprises felsic and intrusive igneous rocks of Upper Carboniferous age exposed on Cape York, the Torres Strait Islands and the southern shore of Papua New Guinea. The oldest Horn Island rocks are the Carboniferous Torres Strait Volcanics, which comprise welded tuff, ignimbrite and agglomerate, volcanic breccia and minor sediments.

The volcanics are intruded by the Late Carboniferous Badu Suite Granites, which are a series of high-level granites comprising a number of compositional and textural types – leucocratic biotite granite, porphyritic biotite granite and adamellite, and hornblende-biotite adamellite and granodiorite. Alluvial cover and laterite has developed from the Early Tertiary and Miocene time to the present day.

Mineralisation occurs in quartz ± sulphide vein arrays/stockworks and breccias that are localised close to the contact of two Badu Suite intrusions (the Badu Granite and the Horn Island Granite) into various felsic welded tuffs (the Endeavour Strait Ignimbrite). Geochemical information indicates that the gold mineralisation is associated with base metal sulphide mineralisation (galena especially) with alteration mostly described as sericitic or propylitic.

Horn Island does not fit the porphyry Cu-Au-Mo deposit model, but may fit with the carbonate-base metal (intermediate sulphidation) epithermal model or the intrusion-related gold model. These deposit types include many major gold deposits worldwide. This may suggest there is greater potential at depth at Horn Island than was investigated by the pre-1989 explorers.

(b) Ore Style

Historical experience indicates that mineralisation at Horn Island typically presents as gold lodes which outcrop within a 1km wide corridor trending north-west for some 3km. These lodes are stacks of multiple veins each of which ranges in width from 0.01m to 2m and overall averaging 0.2m. The lodes themselves which are approximately 1m wide zones of veins, but can be up to 15m wide, especially near brecciated intersections with other lodes.

The lodes have been intersected with drill holes to a vertical depth of 100m but only the upper 50 m has been systematically drilled.

Sericite is the dominant alteration style associated with gold mineralisation. Wide zones of sericitic alteration (up to 20m) occur commonly associated with wider lodes and/or faulting. The host rock around ore veins is generally barren, irrespective of the degree of alteration. Exposed rock in the historic pit shows that alteration may be strongly developed in the absence of significant quartz sulphide veining and is dominantly fracture controlled. The veins are dominantly quartz, sphalerite, galena, pyrite with lesser chalcopyrite and arsenopyrite and accessory molybdenite and tetrahedrite.

The bulk of the gold mineralisation occurs in two sets of veins; one near vertical and the other with the same strike but a shallow dip. Mineralised "shattered zones" occur at the intersection of the flat and steep structures. Steep lodes range from less than 1 to 10 metres in width, flat lodes range from 0.3 to 3 metres and shatter zones can be up to 15 metres but more commonly 4 to 6 metres wide. The lodes are often a series of veins or less commonly breccias. The controls on mineralisation are poorly known due to the paucity of diamond drilling but may be related to steeply dipping faults.

(c) Project History

Gold was first discovered on Horn Island by Smyth and party in 1894. These initial workings concentrated on a NW-SE structural corridor across the island. The majority of historic hard rock workings were located south of Horned Hill on the southern side of Spring creek. These historic workings consisted of small pits, trenches and shafts dug along the main quartz reefs. Very few of these workings continued below the oxidised zone because of metallurgical difficulties with gold recoveries from sulphide mineralisation. Further to the hard rock workings there are also indications of alluvial workings through the gullies running into Spring and Smyth's Creeks.

In 1899 the Horn Island Gold Mining Company was floated and in 1900 it purchased Smyth and party's claims. That company constructed a 12m - head stamp battery, concentrating tables and Berdan pans (grinding and amalgamation pans). Operations concentrated on an open pit approx. 80m long by 10 metres wide which has been interpreted to have exploited the Welcome Reef. However after 6 months of operations the company closed its operations.

Following the initial discovery and establishment of an operation on Horn Island a number of groups attempted to develop a permanent operation which included;

1902 - the Cape York Peninsula Syndicate purchased the Horn Island Gold Mill and Chinese propsectors panned for gold in the creeks

1908 - Narupai Gold Mining Company focused on processing surface material but closed in 1909

1921/2 - Lennon and party attempted to treat battery tailings in but no recorded gold was produced

1936 – a prospecting and a drilling program was undertaken on the Mystery, Brilliant and Narupai Reefs.

Between 1894 and 1922 there were a number of gold mining ventures which operated sporadically and with varying degrees of success. Over that period the records indicate that approximately 15,000 oz of gold was produced with a little under half of that from alluvial workings. Details of production during this period have been provided in the Independent Geology Report annexed to this Memorandum.

From 1922 until after the Second World War it appears that there was little mining activity on Horn Island and certainly no organised exploration or production.

After the Second World War various exploration programs were undertaken on Horn Island by a variety of parties. These culminated in substantial drilling programs carried out in the period from 1983 to 1987. Various historical resource estimates were formulated and reported from 1985 through to 1988. Details of the basis for those historical resource estimates are provided in Table 4 in the Independent Geologist Report annexed to this Memorandum and should be read in conjunction to the cautionary statements relating the reporting of Historical Resources and Reserves in that report. The resource estimates completed in the 1980's provided sufficient confidence to the operator at that time to proceed with a project and in 1987 the Queensland Department of Mines granted Augold NL a mining lease allowing for the establishment of a mine together with a 650,000 ton per annum processing plant.

Construction of the Horn Island open pit commenced in late 1987 with production commencing in the first quarter of 1988 on a resource (Pre JORC announced by Giant Resources in their 1988 Annual Report) of 2.35 million tonnes @2.37 g/t gold. ***The estimates are historical estimates and are not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the historical estimates as mineral resources or reserves in accordance with the JORC Code, and it is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code.*** The historical resource estimate should be read in conjunction with the compliance table as required by ASX Listing Rules 5.12.1 to 5.12.10 Table 4 in the Independent Geologist Report appended to this Memorandum which includes the source and data of the historical estimates information summarised.

It was reported that Augold experienced various difficulties in its mining operations. These included a lack of adequate fresh water and power as well as difficulties within the metallurgy of the sulphide ores. By 1989, only 18 months after the processing plant was commissioned, Augold's parent company withdrew funding support and the mine was closed down.

There were a number of reasons reported for the mine closure which included ore dilution from mining narrow, steep veined gold mineralisation, high stripping ratios, lack of adequate fresh water and power, difficulties with metallurgy of the sulphide ores and a falling gold price.

The average grade delivered to the plant was reported as 1.7 g/t au against an expected grade of 2.37 g/t au. Initially mining units of 6m x 6m x 3m were used but this was unsuitable for the nature of the ore veins. Reducing the block size coupled with more selective mining methods appears to have resulted in a dramatic increase in gold grade in the June and September 1989 quarters.

Records indicate that through 1988 – 89 the operator mined and milled approximately 640,000 tons at varying grades of gold but with an average of circa 1.7 glt. Details of these production results are provided in the Independent Geologist Report annexed to this Memorandum.

(d) Historic Government Restriction

Eventually a Restricted Area declaration (**RA295**) was placed over the Horn Island Gold Mine by the Queensland Government. This followed the failure of the mine owner to fulfil its obligations regarding rehabilitation of the site after the mine closed. On its declaration RA 295 prohibited any further exploration or mining activities on Horn Island and the Queensland Government undertook its own rehabilitation program over the area

In 2013 Kauraru Gold made representations to the Queensland Minister of Natural Resources and Mines and in December 2013 was successful in having RA295 repealed making renewed exploration for gold mineralisation possible.

Kauraru Gold applied for exploration rights and was successfully granted an EPM application over Horn Island (EPM25520). The company is pursuing a separate exploration rights application over the surrounding Kaiwalagal area (EPM25418).

(e) Recent Exploration undertaken by Alice Queen

In preparing its proposed exploration program, Alice Queen undertook a historic review of all historical work completed on Horn Island and established an extensive database. The focus of the review was on the drilling data generated by Seltrust Mining Corporation Pty Ltd and AuGold NL during the 1980's. Alice Queen was able to locate data for 536 holes (8,077m) out of which complete analytical data has been recovered for approximately 80 holes.

Although because of the poor state of some of original data records, not all of the assay data was able to be digitized integration of available assay data, old workings plans and observable surface geology made evident the historic mineralisation trends.

As a result of this work several targets have been identified outside the zone of the existing pit area including:

- Narupai Reef;
- Mystery Reef; and
- Southern Silicified Ridge.

(f) Sampling Program – November 2014

In November 2014 Alice Queen undertook and completed a rock channel and rock chip sampling program which confirmed the presence of gold over a 750m strike length with high grade gold being identified in the walls of the old open pit ("the South Pit") remaining from the former mining operator. This was the first exploration program undertaken at Horn Island since the mine closed in 1989. 233 samples (134 rock channel and 96 rock chip) were collected predominately from the exposed western rock face of the historic South Pit one small, currently accessible area of exposed wall rock of the former mine. The samples were analysed for gold and a large range of other elements.

Significant samples taken were analysed and confirmed the presence of high-grade (including multi-ounce), gold in well-defined quartz-sulphide veins. Individual channel samples from this recent program include:

- 1.0m at 106g/t Au and 10.9g/t Ag (HC14-068)
- 1.0m at 21.5g/t Au and 3.1g/t Ag (HC14-057)

Previous chip / channel samples collected by Kauraru Gold in 2013 at the closely approximate locations returned results of:

- 1.0m at 220g/t Au and 95g/t Ag (H19100)
- 1.0m at 150g/t Au and 75g/t Ag (H19098)

The close correlation of the high grade gold results from both the sets of sampling indicated to Alice Queen that the high grade results are reliable. The Independent Geologist whose report is appended to this Memorandum noted the gold distribution is likely to be of erratic and coarse nature as indicated by limited duplicate sampling undertaken during his site visit. His report should be read in conjunction with these results.

Combined, the recent sampling and the compilation of historic data provide a sound basis for the proposed core drilling program to test the deeper and broader exploration potential for high gold grade mineralisation surrounding and beneath the former mine pit.

The Company made a market release to ASX on 21 July 2015 reporting the full results of Alice Queen's recent exploration program at Horn Island. The market release has been lodged with ASX. Any person may request a copy of the market release containing these exploration results which the Company will provide free of charge. The market release can also be accessed free of charge via the ASX website www.asx.com.au.

(g) Exploration Target

Recently the Alice Queen geologist formulated an Exploration Target for the Horn Island Gold Project of 7 to 21 million tonnes @ 2.0 to 2.5 g/t Au for 450,000 to 1.7 million ozs Au. ***The potential quantities and grades expressed in the Exploration Target represent targets which are conceptual in nature, in that there has been insufficient exploration to estimate a mineral resource and it is uncertain if further exploration will result in the estimation of a mineral resource and it is uncertain if further exploration will result in the estimation of a mineral resource. Exploration Target statement was released by the Company to the ASX in the announcement dated 21 July 2015 referenced above.***

The above-stated Exploration Target is based around the results of 1980's mine drilling and estimation data, which are not JORC 2012 compliant. The Exploration Target is also based on the results of JORC compliant recent pit wall sampling and geological observations.

Specifically the 1980's Horn Island Gold Mine was built to mine 2,350,000 tonnes at 2.37 grams per tonne of gold. The mine was to be 40-50m deep. The proposed first Alice Queen drilling program will test to 170-180m depth, or roughly three times deeper again than was planned for the old Mine. Thus a minimum Exploration Target to be tested in the first drilling program is approximately 7 million tonnes at approximately 2.0 grams per tonne. This is approximately 450,000 ounces of gold.

There is also a reasonable probability that the grades and volumes of gold may increase with depth, since similar quartz sulphide vein and breccia gold deposits in the same geological province (the Kennedy Igneous Province) are known to have substantial depth extents with significant gold grade. Thus a reasonable higher Exploration Target for the first drilling program is a two-times increased volume of gold mineralised rock, approximately 14 million tonnes at an enhanced gold grade of approximately 2.5 grams per tonne (i.e. approximately 1.1 million ounces). Enhanced gold grade is definitely possible as

evidenced by channel samples of over 100 grams per tonne of gold obtained from recent pit wall sampling.

Further, if an improved level of gold mineralisation continued to 300m depth, which is a reasonable depth for a modern open-cut mine, then the upper range for the Exploration Target, following a second drilling program, is approximately 21 million tonnes at approximately 2.5 grams per tonne (approximately 1.7 million ounces).

Such a second drilling program has not been allowed for in the Company's current use of funds budgets. As such the Company's ability to undertake such a program would depend on its ability to raise further funding. This would most likely require a further capital raising which would have a dilutive effect on the issued share capital. There is also a risk that the Company may be unable to raise such funding.

(h) Planned Exploration Program

Based on the compilation of historic data and the recent rock channel sampling, Alice Queen believes that the Horn Island Project does have excellent exploration potential and thus warrants ongoing exploration.

The following targets have been inadequately tested and require further exploration:

- At depth under the flooded open cut, i.e. below 50m depth, where there has been limited drilling.

- In the surrounding areas of historic old workings that have never been subject to deep drilling assessment, e.g. Mystery Reef, Narupai Reef

Alice Queen have proposed a diamond drilling program of approximately 3,000m at Horn Island which is considered by the Company to be a good test of the identified high grade gold structures. The total program will comprehensively test the potential for gold mineralisation at depth. Core drilling has been selected as the preferred drilling technique as it will provide detailed geological information, analytical data sampled by geology and will facilitate geologically constrained resource estimation.

7. Detailed Project Overview - Looking Glass Copper Porphyry Project

(a) Background

The Looking Glass Project (EL 8225, covering ~216km2) is located in the Central West Region of New South Wales and is approximately 30 km north-west of Coonabarabran and approximately 300km north-West of Sydney.

The Looking Glass Project is situated mainly within cleared and non-cleared grazing and pastoral land and is well serviced by existing road and electricity infrastructure and both are easily accessible from nearby Coonabarabran.

(b) Geology

The Looking Glass tenement lies within the geological and tectonic terrain known as the Lachlan Orogen (formerly Lachlan Fold Belt) within the "Tasminides" of Eastern Australia. Lithologically, the Lachlan Orogen is comprised of deformed sedimentary rocks, and mafic volcanics that accumulated along the eastern edge of Gondwanaland during the early Palaeozoic. For further information on the tectonic setting please refer to the Independent Geologist Report annexed to this Memorandum.

The Looking Glass Project occurs in what has been interpreted to be a similar geological and structural environment to world class copper-gold and gold deposits in the Lachlan Orogen. These include:

- major porphyry Cu-Au deposits such as Cadia-Ridgeway, Goonumbla (Northparkes) and Copper Hill;
- epithermal Au deposits such as Cowal, Peak Hill and Gidginbung / Temora; and
- Skarn·deposits such as Junction Reefs and Big Cadia.

These Lachlan Orogen Cu-Au and Au deposits are hosted in Ordovician sediments and volcaniclastics that have been deformed and faulted and then intruded by complex differentiated Ordovician to Early Silurian intrusive bodies. The Looking Glass project is interpreted to occur within the unexplored, under cover, northern extension of the Molong Volcanic Arc which hosts the Cadia deposits. However these are theoretical interpretations and there is currently insufficient data available to form any firm view as to mineralisation within the Looking Glass Project.

(c) Project Geology

Interpretation of airborne magnetic data indicates the Molong Arc continues northwards under and beyond the Warrumbungle Mountains to where EL8225 covers a significant magnetic feature under the Goorianawa Valley. The thickness of the cover rocks is poorly understood, but is estimated to be 300m-500m based on water bore data and limited regional stratigraphic drilling. The covered Molong Arc continuation has never been explored northwards beyond the Mendooran area and certainly not in the area of EL8225.

(d) Historic Exploration

There has been no previous exploration of the Looking Glass area targeting the basement rocks for gold or base metal mineralisation. The regional magnetic data is very old (1960's) and wide-spaced (1500m). Thus the dataset is inadequate for use with modern modelling methods. However, the size and broad scale nature of the Looking Glass anomaly indicates it is likely to be a basement feature.

Further to the historic geophysical data a stratigraphic drilling program was completed approx. 30 kms to the north of EL8225. The nearest hole to EL8225 intersected undifferentiated, sub-Basin, Paleozoic metasediments at 377m depth.

Furthermore in 2009, Santos QNT Pty Ltd drilled Tenandra 1 (PEL450) to explore for coal seam gas approximately 3km west of the south-west corner of EL8225. This well intersected Paleozoic basement from 741m to 863.5m (TD). The final 12m of the well was cored and described as "steeply dipping, sandy, cleaved metasediment (phyllite) with fractures and veining". Based on interpretation of the magnetic data, this well is thought to have intersected a down-faulted basement block, part of the Tooraweenah Trough, whereas EL8225 is believed to be an up-faulted basement block, part of the Baradine High.

(e) Recent Exploration by Alice Queen

The historic government magnetic data was considered inadequate for a quality basement interpretation and drillhole targeting. Therefore a closed spaced (250m) magnetics and radiometics survey was completed over the licence in February 2015.

Applying geological context to the depth modelling helped constrain the interpretation and define the priority targets within the Looking Glass magnetic complex.

(f) Proposed Exploration Program of Work

The objective of the project is to discover a new porphyry copper-gold mineralised centre by exploring the covered Molong Belt rocks. The proposed program of work consists of:

- Landholder and community liaison (year 1)
- Geological mapping (year 1)
- Water bore data compilation (year 1)
- Magnetic surveying (year 1)
- Possible additional geophysics (IP, gravity) (year 2 and beyond)

John Holliday, a Director of Alice Queen which holds a 90% interest in Monzonite Metals, will be the technical manager for this project, and will be responsible for overseeing the exploration program as well as the preparation of the technical reports.

Alice Queen has also tentatively planned to drill a 700m RC/Core hole at Looking Glass to test the potential porphyry carapace zone in basement rocks above one of the identified deep magnetic features. However a decision to proceed with that program will depend on an assessment of the outcomes of the further preliminary exploration work outlined above. Accordingly, the planned use of funds budget for the Company does not at this point provide for expenditure to complete this tentative drilling program at Looking Glass. It is estimated that this program would cost up to $200,000 to complete.

A variety of funding options are under consideration should the proposed program proceed. These include:

- An application to the NSW Government for a New Frontiers Cooperative Drilling Grant which if successful could provide up to 50% of direct drilling costs capped at $200,000. Invitations for applications are scheduled to open on 16 November 2016 and Alice Queen intends to lodge an application as soon as is practical after that date.
- Provision of funding by potential farm in partners who wish to co-venture with Alice Queen in the Looking Glass Project.
- Further capital raising through an issue of shares of the Company.
- A combination of one or more of the above.

As any funds provided under the NSW grant system would be on a dollar for dollar basis any decision to proceed with the tentative drilling program at Looking Glass would be expected to dilute shareholders interest either through the need to issue further shares or through a dilution of Alice Queen's interest in the Looking Glass Project.

RISKS ASSOCIATED WITH THE ALICE QUEEN BUSINESS

The business, assets and operations of Alice Queen and CUU are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future, if the Transaction is successfully completed. In addition, there are other general risks associated with an investment in the mining exploration industry and general investment risks many of which are largely beyond the control of the Company and difficult to predict or anticipate.

The Board aims to manage these risks by carefully planning the Company's activities and implementing risk control measures. However, as noted above, some of the risks identified below are highly unpredictable and the extent to which the Company can effectively manage them is limited.

The following risk factors are not intended to be an exhaustive list of the risk factors to which the Company is exposed or will, following completion of the Transaction, be exposed.

1. Company Specific Risks

(a) Risks Associated with the Tenements

Alice Queen has two granted exploration tenements one in New South Wales and one in Queensland. The Company has a further exploration tenement application pending in Queensland.

Dependence upon obtaining, maintaining or renewal of tenements

Following the acquisition of Alice Queen, the implementation of the Company's planned minerals exploration projects requires government licences, permits and other approvals principally in the form of government instruments creating the tenements. Obtaining approval for the grant of tenements and ensuring compliance with the conditions of grant can be complex, costly and time consuming and are therefore not assured. Failure to obtain or renew a tenement could mean that the Company would be unable to proceed with the continued exploration and development of a particular project. This in turn would be likely to adversely affect the Company's financial condition and prospects. The permits, and in particular tenements, that the Company needs may not be issued, maintained or renewed either in a timely fashion or at all which could also adversely affect its financial position and prospects.

EL 8225 in NSW, the Looking Glass Project tenement, is due for expiry in January 2016 and EPM 25520, the Horn Island tenement, is due for expiry in October 2019. The decision to renew these tenements will rest with the relevant government authorities in those states. In granting a renewal of these tenements those authorities may impose conditions which include increased expenditure or work commitments. The imposition of such new conditions and the potential inability of the Company to meet those conditions may adversely affect the operations, financial position and prospects of the Company.

EPM 25418 is an exploration tenement application in Queensland over an area to the West of Horn Island. Whilst reasonable efforts have and will continue to be made to ensure the application proceeds to a successful grant of EPM 25418 there can be no guarantee that such a grant will be forthcoming. If the application is refused this will prevent the Company from pursuing exploration in that area and may adversely affect the Company's prospects.

Access Restrictions Risk

There are a number of restrictions which operate to exclude, limit or impose conditions upon the Company's ability to conduct exploration activities on parts or all of the tenements. These restrictions include:

- exclusions from pursuing exploration on certain areas of Commonwealth land;
- requirements arising from Native Title legislation and claims;
- requirements arising from state legislation relating to Aboriginal heritage, culture and objects;
- environmental based conditions and restrictions;
- access procedures and compensation requirements in relation to privately held land;
- access procedures and conditions in relation to land falling within deeds of grant in trust.

The Company has formulated its exploration plans to accommodate and work within the access restrictions outlined. However the requirements can be complex and sometimes require approvals,

consents or negotiations involving government or third parties. As such there is a risk that one or more of these access issues may prevent the Company from implementing its intended exploration plans which may thereby adversely affect the Company's financial position and prospects.

(b) Future requirements for capital

The anticipated exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration works. There can be no guarantees that the funds raised by the Company (pursuant to the approval sought under Resolution 8) will be sufficient to successfully achieve all of the Company's exploration objectives.

The funds raised by the Company pursuant to the approval sought under Resolution 8 will be used by the Company to carry out work on the Company's projects with a focus on the Horn Island Gold Project. It is likely that the Company may require additional funding to carry out further exploration, undertake feasibility studies and/or acquire new projects. The Company may also incur unexpected costs in implementing its existing exploration plans. Any additional financing through share issues would be dependent upon the ability to raise funds in the share market. Such share issues, if successfully conducted, would also be dilutive to existing holders. Furthermore, debt financing may not be available to support the scope and extent of proposed developments especially given the Company is engaged in early stage exploration.

The Company's arrangements with its co-venture partners in the tenements require it to fund such projects through to commercial production. The Company does not currently have sufficient funds nor is it likely to have such funds upon completion of the Capital Raising to fund its projects through to commercial production (assuming exploration success), and as such may have to undertake future capital raisings to proceed with the further development of projects to commercial production.

(c) Resource Estimation

Mineral resource estimates and exploration targets are expressions of judgement based on knowledge, experience and industry practice. There are inherent risks associated with such estimates, including that ore eventually recovered may be of a different grade, tonnage or strip ratio from those adopted in the model used. These estimates also depend to some extent on interpretations and geological assumptions which may ultimately prove to be unreliable. Fluctuations in commodity prices, costs and other market factors may subsequently alter a resource estimation.

Accordingly adverse changes to the assumptions underpinning mineral resource estimates or exploration targets would be likely to negatively impact the value of the Tenements and thereby the Company's prospects.

(d) Exploration Success

Alice Queen's tenements are at varying but generally early stages of the exploration process and potential investors should note that mineral exploration and development, such as that being proposed by the Company, are high risk undertakings. There can be no assurance that exploration of the Tenements, or any other licences acquired in the future, will result in the discovery of a mineral deposit. Furthermore the discovery of a mineral deposit does not guarantee that the mining of that deposit would be economically viable. The size of the deposit, location, grade, access to infrastructure, development and operating costs, commodity prices and recovery rates are all key factors in determining commercial viability.

Accordingly, shareholders should take into account that there is a high risk the Company's expenditure of funds on its proposed exploration programs will not lead to the discovery and development of an economically viable resource. Such an outcome would be adverse to the Company's financial position and prospects.

(e) Environmental Risks

The Company's intended operations, by their nature, have the potential to impact biodiversity, land, water resources, coastal environments and related ecosystems. Changes in scientific understanding of these impacts, regulatory requirements or stakeholder expectations and may prevent or delay approvals and result in increased costs for mitigation or compensatory actions.

A portion of the Horn Island tenement has been subject to previous mining works which may not have been adequately rehabilitated. Whilst the Company is not responsible for these historic works it intends to undertake exploration activities in this area and the historical disturbances caused by previous mining may increase future rehabilitation costs over what otherwise would be expected.

(f) Community Risks

The Company's intended operations are located in close proximity to various communities. These local communities may become dissatisfied with the impact of the Company's activities or may oppose the development of projects. Such communities may solicit political support to thwart or restrict the provision of government approvals the Company requires to implement its plans. Such opposition could also lead to litigation which may detrimentally impact the costs or even viability of operations. Community related risks may also include public protest demonstrations, civil unrest, damage to Company property and altercations involving local residents and the Company's employees or contractors. These matters all have the potential to adversely affect the Company's reputation, standing, financial position and prospects. Alice Queen has engaged extensively with the local community at Horn Island including private land owners, indigenous representatives, government officials and the community generally. Whilst the Company believes these efforts have fostered a strong base relationship with the relevant stakeholders there is a risk that this situation could change and in so doing detrimentally affect the Company's prospects.

(g) Counterparty Risks

Alice Queen and its operating subsidiaries have contracted with, or will in the future need to contract with various parties to enable the implementation of its exploration plans. Such counterparties include service contractors, consultants, suppliers, landowners and native title holders. There is a risk that counterparties may fail to perform their obligations under existing or future agreements. This could lead to delays, increase in costs, disputes and even litigation. All these factors could negatively affect the Company's operations and there can be no assurance that the Company would be successful in seeking remedies or enforcement of its rights through legal actions.

(h) Joint Venture Risks

The Alice Queen tenements are held through joint venture corporate entities where minority shareholdings are held by third parties. The Company is the majority holder in the tenement holding corporate entities.

There is a risk that one or more minority shareholders of the tenement holding corporate entities may encounter insolvency, management failure or otherwise change causing it to default in the discharge of obligations. Such defaults could cause delay or disruption to the operations of the Company in relation to the relevant tenement and could thereby detrimentally affect the Company's prospects.

2. Industry Risks

(a) Environmental/Regulation Generally

The intended operations of the Company in both the near and long term are subject to extensive State and Federal environmental laws and regulations. The planned activities are expected to impact the environment especially if advanced exploration or mine development is able to proceed. The Company will use all reasonable endeavours to comply with all requirements however the laws are complex and there is a risk of inadvertent non-compliance.

Proceeding with a mining operation would be expected to create significantly enhanced environmental risks particularly with respect to environmental damage through construction activities, disposal of waste products or water contamination. Such occurrences could delay production or increase costs.

Natural events such as excessive rainfall, floods, storms or bushfire could adversely affect the Company's ongoing compliance with environment laws and regulations. Breaches of environmental requirements could result in fines, damages, clean-up costs and other penalties being levied against the Company.

(b) Expenditure, Reporting and Renewal of Tenements

The interests in the Alice Queen tenements are governed by mining legislation, regulations and conditions imposed by the relevant State. Each tenement is subject to annual expenditure and reporting obligations. The tenements are granted for fixed terms and renewal or extension is subject to government approval which will depend in part upon historical and ongoing compliance with the tenement conditions and relevant law. Failure to meet these requirements may result in the loss of the Tenement.

Renewal or extension of a tenement will necessitate the surrender of a portion of the area covered. There is a risk that in selecting an area for surrender the Company may forgo a yet to be discovered mineral deposit.

(c) Mine Development

In the event that the Company identifies an economically viable mineral deposit its capacity to proceed to develop a mine will be dependent upon a number of factors. These factors include obtaining relevant approvals from all relevant authorities and parties, seasonal weather issues, construction issues, cost overruns, plant and equipment availability, skilled consultants and labour availability, funding needs and other matters. These factors all create risks with respect to the successful development of a project.

(d) Operations

Operations will for the foreseeable future predominantly comprise exploration activities. These activities may be adversely affected by a range of factors including lack of access to suitable personnel, lack of access to drill rigs or other equipment, mechanical failure or breakdowns, adverse weather, industrial accidents or disputes, shortages or increasing costs for consumables, and many other factors outside the Company's control. Such factors would all detrimentally affect the Company's prospects.

3. General Risks

In addition to the above there are general risks which have an adverse impact on the Company's operations which include general economic risks, regulatory risks and commodity and share price volatility and exchange rate risks.

POST COMPLETION BOARD

Upon completion of the Transaction, Michael Raetz will resign from the Board. The following proposed Directors will join the Board upon successful completion of the Transaction. Approval is sought for their appointment through Resolutions 4 -8 (inclusive).

Andrew Buxton

Andrew was previously Managing Director of Kidman Resources Limited [ASX: KDR] an ASX listed base metals and REE explorer in NSW and NT. Kidman Resources listed on the ASX in January 2011 and was ranked as the fifth best performing IPO by price appreciation, by Deloitte Touche Thomatsu in its Annual IPO Report 2011. Before this Andrew was co-founder and Executive Director of Media Entertainment Group Limited [ASX:MED], which specialised in screen advertising. MED was ASX listed and operated in six countries before being acquired by Consolidated Press Holdings.

Bruce Fulton

Bruce has a M.Sc. (Earth Sciences) from Waikato University, New Zealand, and an MBA from Deakin University, Melbourne, Australia. He is a member of: The Australian Institute of Company Directors (MAICD); The Australasian Institute of Mining and Metallurgy (MAusIMM); Canadian Institute of Mining, Metallurgy and Petroleum (MCIM); Society of Economic Geologists (MSEG). Bruce is an experienced geologist and previously held the position of Chief Geologist at Porgera Gold Mine, Papua New Guinea. Following his career in mining with companies such as Dominion Mining, Placer Dome and Plutonic Resources, Bruce co-founded Ophir Partners, an executive search company specialising in the resources industry. He currently holds Board positions as non-executive Director of Signature Gold Limited and is Managing Director of Ophir Partners. Bruce was also recently appointed to the position of Member of the Executive Council of the Association of Mining and Exploration Companies (AMEC).

Mark Kerr

Mark is Chairman of Contango Microcap Limited (appointed December 2009) and is a non-executive director of Contango Income Generator Limited (appointed October 2012). He is a non-executive Chairman of Think Childcare Limited (appointed June 2014) and Chairman of Hawthorn Resources Limited (appointed November 2007). Mark specialises in public relations and reputation management consultancy and serves on a number of private boards. He is currently a director of Berkeley Consultants, a public relations and reputation management consultancy.

In 1992, Mark was responsible for the launch and publication of the National Directory of Aboriginal and Torres Strait Islander Organisations, this directory being the first of its kind in Australia.

John Holliday

John has over 30 years' experience in metals exploration mostly with BHP Minerals and Newcrest Mining, including the positions of Chief Geoscientist and General Manager, Property Generation. John was a principal discoverer and site manager of the Cadia and Marsden porphyry gold-copper deposits in NSW, and was a principal geological advisor on the acquisition of many significant projects, including Namosi and Wafi-Golpu. John has worldwide experience in gold-copper deposit exploration and evaluation and has presented at major international conferences on exploration for porphyry deposits. He has a geophysics/geology honours degree from Macquarie University and an economics/politics degree from Sydney University. John is Principal of his own geoscience consultancy, Holliday Geoscience. John is a member of the Australian Institute of Geoscientists, the Australian Society of Exploration Geophysicists and the Society of Economic Geology.

The profiles of the existing Directors who will remain on the Company's Board following completion of the Transaction are provided below:

Phillip Harman

Phillip is a professional geophysicist who spent more than 30 years working for BHP Billiton in minerals exploration in a broad number of roles including Chief Geophysicist, Manager Discovery of Technology, and Exploration Manager in both South America and Western

Australia. His experience in BHP spanned both technical and managerial roles here in Australia and overseas. He is broadly networked throughout the international mining business development and exploration community, has experience in creating and managing junior exploration companies and understands capital markets, having raised risk capital for exploration through the ASX and on AIM in London.

Phillip is currently a Director of ASX listed Stellar Resources Limited and unlisted Laguna Gold Pty Ltd. Phillip has been a Director of the Company since 9 February 2009.

Jeffery Williams

Jeffrey (Jeff) Williams has 40 years' experience as a professional mining engineer in Australia including seven years in the stockbroking industry and 14 years as a Managing Director. He is a Fellow of the Australasian Institute of Mining and Metallurgy. Jeff's mining experience ranges from mine planning, underground management and feasibility studies through to mine development. From 1972 to 1984, he held various positions with CRA Limited at Broken Hill in New South Wales. Following completion of a Masters of Business Administration ('MBA') program in 1987, he played a major role as a Senior Project Engineer with North Limited. From 1989 to 1996, he specialised in gold mining research in the stock broking industry finishing up as Head of Resources Research at James Capel Australia.

In 1997 Jeff established Nimbus Resources which acquired Mineral Deposits Limited ('MDL') from BHP Billiton in 1998. This included mineral sands assets near Hawks Nest on the north coast of New South Wales. Jeff remained Managing Director for 14 years until 30 June 2011. During this time the company acquired the Grand Cote Mineral Sands project in Senegal in West Africa which is now under development into a world class mineral sands mine. MDL also acquired and developed the Sabodala gold deposit in Senegal which is now a significant gold producer in West Africa and was demerged from MDL into the standalone gold producer Teranga Gold Corporation. Jeff brings a wealth of project experience to Callabonna.

Jeff has been a Director of the Company since 16 March 2012.

The shares interests (direct and indirect) of the post-Transaction Board are set out in the table below (all numbers are on a post-Consolidation basis):

Name	Pre-Transaction		Post-Transaction	
	Number	%	Number	%
Andrew Buxton +	Nil	Nil	25,638,670	13.30
Bruce Fulton +	Nil	Nil	17,359,516	9.00
Mark Kerr +	Nil	Nil	20,297,281	10.53
John Holliday +	Nil	Nil	18,694,863	9.70
Phillip Harman ^ *	1,041,881	5.65%	1,041,881	0.54
Jeffery Williams *	830,761	4.50%	830,761	0.43

Notes to Table:

^ Phillip Harman also holds 1,153,846 unlisted options exercisable at 3 cents per option and expiring on 31 December 2017. As a result of the Consolidation, the number of options will be consolidated to 115,385 and the exercise price adjusted to 30 cents.

** Approval will be sought through Resolutions 9A-9C for the existing Directors, including Phillip Harman and Jeffery Williams, to participate in the Capital Raising by subscribing for up to 909,091 shares (total subscription sum of $50,000). If shareholder approval is obtained, those Directors will have the ability (but not the obligation) to subscribe for additional shares up to the authorised limits. If approval is obtained and Phillip Harman and Jeffery Williams successfully subscribe for the full amount of $50,000 their respective percentage relevant interest in the Company would be 1.01% (in the case of Phillip Harman) and 0.90% (in the case of Jeffery Williams).*

+ Mark Kerr, John Holliday, Andrew Buxton and Bruce Fulton also hold free-carried interests in the entities which hold the Horn Island Gold Project (Kauraru Gold Pty Ltd) and the Looking Glass Project (Monzonite Metals Pty Ltd). Those interests are described in further detail in section titled "Alice Queen and the Alice Queen Projects" (and specifically in items 2 and 3 of that section).

INDEPENDENT EXPERT'S REPORT

The Company has obtained an Independent Expert's Report from Nexia Melbourne Pty Ltd [ABN 32 052 362 348] (**the Independent Expert**) in respect of the acquisition of a relevant interest in the Company's ordinary fully paid shares that will be obtained by the Alice Queen Vendors if Resolution 3 (and assuming all other Acquisition Resolutions are passed) are approved and the Company completes its acquisition of Alice Queen.

The finding of the Independent Expert is that the proposed acquisition of ordinary shares to be issued to the Alice Queen Vendors if Resolution 3 is passed and the Company completes its acquisition of Alice Queen is **fair and reasonable** to non-associated shareholders.

The Independent Expert Report also incorporates a Independent Geologist Report prepared by Mark Arundell of H&SC Consultants Pty Ltd and an independent assessment thereof by a specialist geotechnical valuer, Ms Allison Keogh of AMC Consultants Pty Ltd.

The Independent Expert's Report should be read in full and is set out in Annexure One. Shareholders should refer to the Independent Expert's Report and the matters set out in this Memorandum when considering how to vote on the Acquisition Resolutions.

RESOLUTIONS

RESOLUTION 1: APPROVAL TO CHANGE THE NATURE AND SCALE OF ACTIVITIES

Resolution 1 seeks approval from the Company's shareholders for a change in the scale of the activities of the Company by acquiring Alice Queen and pursuing the Horn Island Gold Project and the Looking Glass Project. The details of and key risks associated with Alice Queen's projects and business are set out earlier in this Memorandum.

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

(a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;

(b) obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and

(c) meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated to the Company that the change in scale of the Company's activities as a result of proposed Transaction requires the Company in accordance with ASX Listing Rule 11.1.2 to obtain shareholder approval and the Company must comply with any requirements of ASX.

ASX have also indicated that the change in the scale of the Company's activities will require re-compliance with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (in accordance with ASX Listing Rule 11.1.3).

As noted above, the Company has obtained a waiver of ASX Listing Rule 2.1 [Condition 2] to permit the issue of the shares offered under the Capital Raising at $0.055 per share. The wavier is conditional upon shareholders approving the issue price as part of the approval sought under ASX Listing Rule 11.1.2.

RESOLUTION 2: CONSOLIDATION

Resolution 2 seeks approval from the Company's shareholders to consolidate the number of ordinary fully paid shares on issue on a 10 for 1 basis (**Consolidation**).

The primary purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward and to seek to comply with relevant ASX Listing Rules when the Company seeks to obtain re-quotation of its ordinary shares on ASX.

The Directors intend to implement the Consolidation prior to completion of the Transaction and prior to the proposed issues of securities pursuant to the Acquisition Resolutions, but the Consolidation will only occur if resolutions necessary for the Transaction (being all Acquisition Resolutions) are passed.

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. Clause 10.1 of the Company's Constitution also permits the consolidation of the Company's share capital subject to approval from shareholders by ordinary resolution.

The ASX Listing Rules also require that the number of options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio. The Company currently has the following options on issue:

- 13,282,350 unlisted options exercisable at 3 cents and expiring on 30 June 2017; and
- 20,307,692 unlisted options exercisable at 3 cents and expiring on 31 December 2017.

Upon completion of the Transaction the Company will, subject to rounding, have the following options on issue:

- 1,328,235 (post-consolation) unlisted options exercisable at 30 cents and expiring on 30 June 2017; and
- 2,030,770 (post-consolidation) unlisted options exercisable at 30 cents and expiring on 31 December 2017.

Not all security holders will hold that number of ordinary fully paid shares which can be evenly divided by 10. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole security.

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 the Company, the existing Directors and the proposed Directors and their advisers do not accept any responsibility for the individual taxation implications arising from the Consolidation or the other Acquisition Resolutions.

From the date of the Consolidation all holding statements for previously quoted 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 to be issued to holders of those shares. It is the responsibility of each security holder to check the number of shares held prior to disposal.

The Company currently has 184,500,498 ordinary (pre-Consolidation) shares on issue. Following completion of the Consolidation (assuming no existing options are exercised) the Company will, subject to rounding, have 18,450,050 ordinary fully paid shares on issue. Shareholders should refer to the table in item 3 of the "*Transaction and Resolutions*" section of this Memorandum for details of the effect of the Acquisition Resolutions on the post-Consolidation capital structure of the Company.

If Resolution 2 and all the other resolutions necessary for the Transaction (being all Acquisition Resolutions) are passed, the Consolidation of capital is proposed to take effect pursuant to the timetable below:

Event	Date
Company announces to ASX that shareholders have approved the consolidation.	Day 0 15 September 2015
Trading in the reorganised securities on a deferred settlement basis	Day 2 17 September 2015
Last day for Company to register transfers of securities on a pre-consolidated basis.	Day 5 22 September 2015
First day for the Company to send notice to each security holder. First day for the Company to register securities on a post-consolidated basis and the first day for issuing holding statements.	Day 6 23 September 2015
Despatch date. Last day for securities to be entered into the holders' security and new holding statements to be issued. Last day for sending notice to each security holder.	Day 10 29 September 2015

Note: The above dates are indicative only. Subject to the Corporations Act, the ASX Listing Rules and other applicable laws, the Company reserves the right to vary any of the above dates and times without notice.

RESOLUTION 3: APPROVAL FOR THE ISSUE OF SHARES TO ALICE QUEEN VENDORS

Resolution 3 seeks approval from the Company's shareholders for:

- the issue of up to 110,700,298 ordinary fully paid ordinary shares (issued on a post-Consolidation basis) to the Alice Queen Vendors; and
- the resultant acquisition of a relevant interest in the Company's ordinary shares by the Alice Queen Vendors and their associates for the purposes of item 7 of section 611 of the Corporations Act.

The ordinary shares the subject of Resolution 3 are to be issued to the Alice Queen Vendors in consideration for sale and transfer of their respective equity interests in Alice Queen. The shares will be issued to the Alice Queen Vendors in proportions which reflect their respective equity interests in Alice Queen immediately prior to completion of the Transaction. There are 38 individual Alice Queen Vendors, details of the top 10 largest shareholders of Alice Queen are set out in the table below.

Alive Queen Vendor	% Interest in Alice Queen	Interest in CUU on completion of Transaction	
		Shares	%
Andrew Buxton	23.16	25,638,670	13.30
Monzonite Investments Pty Ltd	16.89	18,694,863	9.70
Maplefern Pty Ltd	15.68	17,359,516	9.00
Mark Kerr	9.65	10,682,779	5.54
Eleventh Klingon Pty Ltd	5.79	6,409,667	3.32
Lindmark Investments Pty Ltd	4.83	5,341,390	2.77
Berkeley Consultants Pty Ltd	3.86	4,273,112	2.22
Antonietta Adaley	3.02	3,338,368	1.73
Barry Stynes	2.41	2,670,695	1.39
Collectibles & Antiques Pty Ltd	2.41	2,670,695	1.39

The Company is seeking approval to issue 110,700,298 (post-Consolidation) CUU shares to the Alice Queen Vendors.

Listing Rule 7.2 (Exception 16) provides that an issue approved by shareholders for the purposes of item 7 of section 611 of the Corporations Act does not also require approval under Listing Rule 7.1. Accordingly, a separate shareholder approval under Listing Rule 7.1 will not be sought for the issue of shares the subject of Resolution 3.

Chapter 6 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of an ASX listed company if, because of that acquisition, that person's (or someone else's) voting power (when aggregated with the voting power of their associates) increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

Item 7 in the table of section 611 of the Corporations Act provides an exception to the prohibition set out above if a company obtains the approval of its shareholders for the acquisition at a general meeting of its shareholders. The detail of what constitutes a "*relevant interest*" is extensively defined in the Corporations Act. It includes holding voting shares, being able to exercise control over voting shares and having power to dispose of, or control the disposal of, voting shares. It does not matter how remote the relevant interest is or how it arises. If two or more persons can jointly exercise one of these powers, each of them is taken to have that power.

The aggregate percentage relevant interest which the Alice Queen Vendors will hold on completion of the Transaction is 57.42%.

No Alice Queen Vendor will (either alone or in conjunction with their associates) obtain a relevant interest in more than 20% of the issued share capital of the Company on completion of the Company's acquisition of Alice Queen. However, for the purposes of the approvals sought in connection with the Company's proposed acquisition of Alice Queen (and having regard to the substantial nature of the transaction and the Australian Securities and Investments Commissions regulatory guidance in respect of circumstances in which parties with a shared goal or purpose may, for the purposes of a transaction, be deemed to be associates) in the interests of full disclosure the Company has elected to seek shareholder approval under section 611 of the Corporations Act on the basis that all the Alice Queen

Vendors are 'associated'. The Company has therefore instructed the Independent Expert to consider Resolution 3 in the Independent Expert's Report.

If the Transaction completes the Alice Queen Vendors will in aggregate hold a relevant interest in a maximum total of 57.42% of the Company's ordinary fully paid shares.

Details of the Alice Queen Vendors who will become substantial shareholders in the Company if the Company's acquisition of Alice Queen completes (each a **Post-Completion Substantial Holder**) are set out below.

Alice Queen Vendor Entity	Relevant Interest (includes associates) (number of CUU shares)	% relevant interest in CUU
Andrew Buxton	25,638,670	13.30
Monzonite Investments Pty Ltd	18,694,863	9.70
Maplefern Pty Ltd	17,359,516	9.00
Mark Kerr (includes holdings of associated entity)	20,297,281	10.53

^ Note: Following the Transaction no single Alice Queen Vendor (whether alone or in conjunction with its associates) will hold a relevant interest in more than 20% of the Company's ordinary shares.

The issue of the shares the subject of Resolution 3 to the Alice Queen Vendors is conditional upon shareholders also approving each of the other Acquisition Resolutions. Accordingly, the shares the subject of Resolution 3 will only be issued upon, and subject to, the Company completing the Transaction.

Each of the Post-Completion Substantial Holders has advised the Company of their intentions (should they obtain a relevant interest in the Company through an issue of shares as proposed in Resolution 3) as follows:

- No Post-Completion Substantial Holder has any current intention to inject further capital into the Company.
- No Post-Completion Substantial Holder, to the extent they are able, intends to change the business of the Company. Upon completion of the acquisition of Alice Queen the Company's focus will change to the exploration and development of the Horn Island Gold Project and the Looking Glass Project.
- No Post-Completion Substantial Holder has an intention to seek to change the future employment of the present employees of the Company in connection with its acquisition of a relevant interest in the Company, noting that the Company's Board will be reconstituted upon, and subject to completion of its acquisition of Alice Queen (refer to Resolutions 4-7 inclusive).
- No Post-Completion Substantial Holder has an intention to transfer any assets between it (or any of its associates) and the Company.
- There is no intention for any Post-Completion Substantial Holder to otherwise seek to redeploy the fixed assets of the Company in connection with the Alice Queen Vendors' acquisition of a relevant interest in the Company.
- No Post-Completion Substantial Holder has an intention to seek to significantly change the financial or dividend distribution policies of the Company.

The shares the subject of Resolution 3 are proposed to be issued as soon as practical after the Meeting upon, and subject to, completion of the Company's acquisition of Alice Queen.

The Independent Expert has determined that the proposed acquisition by the Alice Queen Vendors that will occur on issue of the shares the subject of Resolution 3 is **fair and reasonable.** The Independent Expert's Report should be read in full and is set out in Annexure One. Shareholders should refer to the Independent Expert's Report and the matters set out in this Memorandum when considering how to vote on Resolution 3.

RESOLUTIONS 4 -7: APPOINTMENT OF DIRECTORS

Clause 13 of the Company's Constitution allows shareholders in general meeting 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.

Andrew Buxton, Bruce Fulton, Mark Kerr and John Holliday who are to be appointed upon successful completion of the Transaction, seek election from the Company's shareholders.

The qualifications and experience of the proposed Directors are set out earlier in this Memorandum.

RESOLUTION 8: APPROVAL FOR CAPITAL RAISING

The Company proposes under the Capital Raising to issue a minimum of 63,636,363 ordinary fully paid shares (on a post-Consolidation basis) at an issue price of not less than $0.055 (5.5 cents) per ordinary share to be offered under a prospectus to raise $3,500,000 (before costs).

Resolution 8 seeks approval from the Company's shareholders for the issue of up to 63,636,363 ordinary fully paid shares (on a post-Consolidation basis), being the number of shares proposed to be issued to applicants of the Capital Raising.

Other than as specifically approved under Resolutions 9A, 9B and 9C, for the purposes of the ASX Listing Rules, none of the subscribers for the shares to be issued under Resolution 8 will be related parties of the Company.

The Capital Raising offer will be conditional on the following:

- shareholders passing all of the Acquisition Resolutions;
- the Company completing its acquisition of Alice Queen; and
- ASX conditionally confirming that it will re-admit the Company to the Official List of ASX (noting that it is expected that the Company's ordinary shares will be suspended from trading from the date on which the Acquisition Resolutions are approved until completion of the Transaction).

The Capital Raising will be conducted by way of an offer made under a prospectus. In addition to enabling the Company to comply with the disclosure obligations of Chapter 6D of the Corporations Act, the prospectus is part of re-compliance with Chapters 1 and Chapter 2 of the ASX Listing Rules and re-admission of, and the recommencement of trading in, the Company's ordinary shares on the Official List of the Australian Securities Exchange.

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

The effect of Resolution 8 will be to allow the Company to issue up to 63,636,363 shares (on a post-Consolidation basis) pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

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

- The maximum number of ordinary fully paid shares to be issued under Resolution 8 is 63,636,363 ordinary fully paid shares (on a post-Consolidation basis).

- The ordinary fully paid shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).

- The issue price will be not less than $0.055 per ordinary fully paid share.

- The ordinary fully paid shares are proposed to be issued to the applicants of the Capital Raising made pursuant to a prospectus. Except to the extent that the Directors participate under the approval sought under Resolutions 9A, 9B and 9C, none of these subscribers will be related parties of the Company.

- The shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing ordinary fully paid shares, and

- The Company intends to use the funds raised from the shares issued under the Capital Raising to fund the ongoing operation of the Company's business, and specifically the development of the Horn Island Gold Project and Looking Glass Project. Further details regarding the use of the Capital Raising funds will be set out in the Prospectus through which the Capital Raising offer will be made.

RESOLUTIONS 9A, 9B and 9C: APPROVAL FOR PARTICIPATION BY EXISTING DIRECTORS IN CAPITAL RAISING

Resolutions 9A, 9B and 9C are proposed to seek shareholder approval to allow the existing Directors (or their associates) of the Company to each participate in the Capital Raising by subscribing for up to 909,091 ordinary fully paid shares each (being a subscription of up to $50,000 each).

If approval is obtained under Resolutions 9A, 9B and/or 9C, the relevant Director will have the right but not the obligation participate in the Capital Raising (on the same terms as all other investors) up to the approved limit.

Assuming Resolution 9A, 9B and 9C are approved and the existing CUU Directors (and/or their associated entities) successfully subscribe for the maximum number of share approved under those resolutions the relevant interests of the Directors (and their associates) in the Company's ordinary shares (on a post-Consolidation basis) will be as set out below:

Name	Pre-Transaction		Post-Transaction	
	Number	%	Number	%
Michael Raetz	572,262	3.10%	1,481,353	0.77
Phillip Harman	1,041,881	5.65%	1,950,972	1.01
Jeffery Williams	830,761	4.50%	1,739,852	0.90

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the company. For the purposes of Listing Rule 10.11, a related party includes a Director of the company, an entity over which a Director has control and an entity which ASX believes, or has reasonable grounds to believe, that it is likely to become a related party of the company in the future.

Shareholder approval is being sought under ASX Listing Rule 10.11 and as such approval is not required under ASX Listing Rule 7.1.

Chapter 2E of the Corporations Act

Section 208 of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without approval of the company's members. Section 228 of the Corporations Act defines a "*related party*" for the purposes of Chapter 2E to include:

- directors of the public company (section 228(2)(a)); and
- an entity controlled by directors of the public company (section 228(4)).

The entities named in the table above are related parties of the Company for the purposes of Chapter 2E of the Corporations Act as each of them is controlled by a Director of the Company. A "financial benefit" is defined in section 229 of the Corporations Act and includes issuing shares or granting an option to a related party.

Section 210 of the Corporations Act provides an exception to the requirement to obtain shareholder approval for giving a financial benefit to a related party, where the financial benefit is on terms which would be reasonable in the circumstances if the public company and the related party were dealing at arm's length.

The Company considers that the proposed issue of securities the subject of Resolutions 9A, 9B and 9C will be on arm's length terms as it part of, and on the same terms as, the Capital Raising offer made to investors who are not related parties of the Company. As such, the Company considers that the proposed issue falls within the exception set out in section 210 of the Corporations Act.

The nature of the financial benefit to be given to the existing Directors is the interest in the ordinary shares which are to be issued in the event that the Director successfully subscribe for shares in the Capital Raising.

A voting exclusion statement applies to Resolutions 9A, 9B and 9C and is set out in the Notice. The Directors do not make any recommendation regarding Resolutions 9A, 9B and 9C as each of them has an interest in the outcome of the resolutions.

In addition to the information set out above, further additional information required by the ASX Listing Rules in respect of each of Resolutions 9A, 9B and 9C is set out below.

RESOLUTION 9A: APPROVAL FOR MICHAEL RAETZ TO PARTICIPATE IN CAPITAL RAISING

ASX Listing Rule 10.13 requires that the meeting documents concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 10.11 must include the following information:

- The shares will be issued to Michael Raetz (or his associates) subject to those entities successfully subscribing for shares under the Capital Raising.
- The maximum number of securities to be issued is 909,091 ordinary fully paid shares for a subscription sum of $50,000.
- The Company will issue the shares as soon as practical following the date of the Meeting and, in any case, within one month of the date of the Meeting.
- Michael Raetz is a Director of the Company.
- The shares will be issued as part of the Capital Raising at an issue price of $0.055 (5.5 cents) per share.
- Funds raised through the issue will be used to fund the development of the Company's projects, an in particular the development the Alice Queen Projects. Further details regarding the use of the Capital Raising funds will be set out in the Prospectus through which the Capital Raising offer will be made.

RESOLUTION 9B: APPROVAL FOR PHILLIP HARMAN TO PARTICIPATE IN CAPITAL RAISING

ASX Listing Rule 10.13 requires that the meeting documents concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 10.11 must include the following information:

- The shares will be issued to Phillip Harman (or his associates) subject to those entities successfully subscribing for shares under the Capital Raising.
- The maximum number of securities to be issued is 909,091 ordinary fully paid shares for a subscription sum of $50,000.
- The Company will issue the shares as soon as practical following the date of the Meeting and, in any case, within one month of the date of the Meeting.
- Phillip Harman is a Director of the Company.
- The shares will be issued as part of the Capital Raising at an issue price of $0.055 (5.5 cents) per share.
- Funds raised through the issue will be used to fund the development of the Company's projects, an in particular the development the Alice Queen Projects. Further details regarding the use of the Capital Raising funds will be set out in the Prospectus through which the Capital Raising offer will be made.

RESOLUTION 9C: APPROVAL FOR JEFFERY WILLIAMS TO PARTICIPATE IN CAPITAL RAISING

ASX Listing Rule 10.13 requires that the meeting documents concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 10.11 must include the following information:

- The shares will be issued to Jeffery Williams (or his associates) subject to those entities successfully subscribing for shares under the Capital Raising.
- The maximum number of securities to be issued is 909,091 ordinary fully paid shares for a subscription sum of $50,000.

- The Company will issue the shares as soon as practical following the date of the Meeting and, in any case, within one month of the date of the Meeting.

- Jeffery Williams is a Director of the Company.

- The shares will be issued as part of the Capital Raising at an issue price of $0.055 (5.5 cents) per share.

- Funds raised through the issue will be used to fund the development of the Company's projects, an in particular the development the Alice Queen Projects. Further details regarding the use of the Capital Raising funds will be set out in the Prospectus through which the Capital Raising offer will be made.

RESOLUTION 10: 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 10 seeks the approval of shareholders for the Company to change its name to "Alice Queen Limited". The Board proposes this change of name on the basis that it more accurately reflects the proposed operations of the Company upon the successful completion of the Transaction.

If Resolution 10 is passed the change of name will take effect after the successful completion of the Transaction and when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and, if Resolution 10 is passed, the Company will lodge a copy of the special resolution with ASIC on successful completion of the Transaction in order to effect the change.

If any or all of Resolution 10, Resolution 11 or Resolutions 9A, 9B or 9C are not approved the Transaction may still proceed provided that each other Transaction Resolution is approved.

Resolution 10 is a special resolution. For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution.

RESOLUTION 11: ADOPTION OF EMPLOYEE SHARE OPTION PLAN

Resolution 11 seeks shareholder approval in accordance with the ASX Listing Rule 7.2 for the establishment of the Callabonna Employee Share Option Plan (**ESOP**) and the issue of options pursuant to terms of the ESOP.

The Directors of the Company are not eligible to participate in the ESOP without further shareholder approval.

The two main purposes of the ESOP are to give an incentive to the eligible participants following completion of the Transaction to provide dedicated and ongoing commitment and effort to the Company aligning the interests of both employees and shareholders and for the Company to reward eligible participants for their efforts. The ESOP contemplates the issue to eligible participants of options to subscribe for ordinary fully paid shares.

ASX Listing Rule 7.1 places restrictions on the number of equity securities, including options, which a listed company may issue in any 12 months. However, certain issues are exempt from ASX Listing Rule 7.1 and are effectively disregarded for the purposes of counting the number of securities which a company may issue.

Pursuant to ASX Listing Rule 7.2 Exception 9, issues exempt from ASX Listing Rule 7.1 include an issue of securities to persons participating in an employee option scheme where shareholders have approved the issue of securities under the terms of that scheme.

In order to take advantage of the exemption from ASX Listing Rule 7.1 and allow the Company greater flexibility to issue securities, shareholders are requested to approve the ESOP as an exemption from ASX Listing Rule 7.1.

This approval will be effective for a period of 3 years from the date of the passing by shareholders of Resolution 11. For the purpose of ASX Listing Rule 7.2 Exception 9 the terms of the ESOP are outlined in Annexure Two.

No options have been issued under the current scheme as it is a new ESOP and has not previously been approved.

A voting exclusion statement applies to Resolution 11.

PROXY FORM

The Secretary
Callabonna Resources Limited (ACN 099 247 408)
By Post: PO Box 226, SUBIACO WA 6904 By facsimile:+61 8 9388 8256

Name of Shareholder:	
Address of Shareholder:	
Number of Shares entitled to vote:	

Please mark ☒ to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Step 1 – Appoint a Proxy to Vote on Your Behalf

The Chairman of the Meeting (mark box) ☐ **OR** if you are **NOT** appointing the Chairman of the meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, and subject to the relevant laws as the proxy sees fit at the General Meeting to be held at 10.00am on Tuesday, 15 September 2015 at Christie Conference Centre Melbourne, Lower Ground Level, 454 Collins Street, Melbourne, Victoria, 3000 and at any adjournment thereof.

Chair authorised to exercise undirected proxies: The Chair of the Meeting intends to vote all available proxies in favour of Resolutions 1-11. If the Chair of the Meeting is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolutions 1-11, you will be authorising the Chair to vote in accordance with the Chair's voting intentions on Resolutions 1-11 even if Resolutions 1-11 are connected directly or indirectly with the remuneration of a member of Key Management Personnel.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Step 2 – Instruction as to Voting on Resolution

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		FOR	**AGAINST**	**ABSTAIN**
Resolution 1:	Approval for Change of Activities	☐	☐	☐
Resolution 2	Consolidation	☐	☐	☐
Resolution 3	Approval for Issue of Shares to Alice Queen Vendors	☐	☐	☐
Resolution 4	Appointment of Director – Andrew Buxton	☐	☐	☐
Resolution 5	Appointment of Director – Bruce Fulton	☐	☐	☐
Resolution 6	Appointment of Director – Mark Kerr	☐	☐	☐
Resolution 7	Appointment of Director – John Holliday	☐	☐	☐
Resolution 8	Approval for Capital Raising	☐	☐	☐
Resolution 9A	Approval for Michael Raetz to participate in Capital Raising	☐	☐	☐
Resolution 9C	Approval for Phillip Harman to participate in Capital Raising	☐	☐	☐
Resolution 9C	Approval for Jeffrey Williams to participate in Capital Raising	☐	☐	☐
Resolution 10	Change of Company Name	☐	☐	☐
Resolution 11	Approval of Employee Share Option Plan	☐	☐	☐

Authorised signature/s

This section must be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary
Contact Name	Contac t Daytime Telephone	Date

[1]Insert name and address of Shareholder [2]Insert name and address of proxy *Omit if not applicable

Proxy Notes:

Voting Restrictions applying to Key Management Personnel: If you appoint a member of the Key Management Personnel of the Company or one of their closely related parties as your proxy, that person will not be able to cast your votes on the Resolutions unless you direct them how to vote, or the Chair of the Meeting is your proxy. "Key Management Personnel" includes each of the Directors of the Company, all those executives named in the Remuneration Report, and any other persons who are the Company's Key Management Personnel at the date of the Meeting.

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate or Appointment of Representative prior admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding:	where the holding is in more than one name all of the holders must sign.
Power of Attorney:	if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy, of the Power of Attorney to this Proxy Form when you return it.
Companies:	a Director can sign jointly with another Director or Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicated the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received at PO Box 226 Subiaco, WA 6904 or by facsimile +61 8 9388 8256 not less than 48 hours prior to the time of commencement of the Meeting (WST).

ANNEXURE ONE
INDEPENDENT EXPERT'S REPORT

nexia australia

the next solution

CALLABONNA RESOURCES LIMITED

ISSUE OF SHARES TO

ALICE QUEEN HOLDINGS PTY LTD VENDORS

Independent Expert's Report

pursuant to Section 611 of the Corporations Act

11 AUGUST 2015

Nexia Melbourne Pty Ltd Financial Services Guide

This Financial Services Guide is dated 11 August 2015.

Nexia Melbourne Pty Ltd (ABN 25 825 209 842) ("Nexia") holds Australian Financial Services Licence no 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Nexia has been engaged by Callabonna Resources Limited (**"CUU"** or **"the Company"**) to provide an Independent Experts Report (**"the Report"**) for inclusion with the Notice of Meeting of Shareholders to be held on or about 15 September 2015 to consider resolutions associated with the issue of securities under Section 611 of the Corporations Act.

The Corporations Act, 2001 requires Nexia to provide this Financial Services Guide ("**FSG**") in connection with its provision of this Report. Nexia does not accept instructions from retail clients. Nexia provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Nexia does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

Nexia is only responsible for this Report and this FSG. Nexia is not responsible for any material publicly released by the Company in conjunction with this Report or the Proposal. Nexia will not respond in any way that might involve any provision of financial product advice to any retail investor.

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Nexia's client is the Company to which it provides the report. Nexia receives its remuneration from the Company. In respect of this Report and other services, Nexia will receive a fee of up to $29,000 plus reimbursement of out-of-pocket expenses from the Company. Directors or employees of Nexia or other associated entities may receive partnership distributions, salary or wages from Nexia.

Nexia and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products.

Nexia has professional indemnity insurance cover for reports of this nature under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act 2001.

Nexia has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us in writing to Mr Kevin Mullen, Nexia Australia, Level 18, 530 Collins Street, Melbourne, Vic, 3000. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

INDEX

Glossary

Abbreviated Term	Definition
Act	The Corporations Act 2001
Acquisition	The acquisition of 100% of the issued capital of Alice Queen Holdings Pty Ltd through the issue of 110,700,298 shares in the Company
AFSL	Australian Financial Services Licence
AMC	AMC Consultants Pty Ltd, preparers of an Independent Technical Specialists Report on the value of the AQH Projects
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
AQH	Alice Queen Holdings Pty Ltd, a private unlisted company
AQH Projects	A 84.5% interest in the Horn Island gold exploration project (EPM 25520) and a 90% interest in the Looking Glass gold/copper porphyry project (EL 8225), held by AQH
Capital Raising	The issue of 63,636,364 ordinary shares in CUU at an issue price of 5.5 cents to raise $3.5 million
Company	Callabonna Resources Limited
CUU	Callabonna Resources Limited
CUU Shareholders	Shareholders of CUU not associated with the Proposal
Directors	Directors of the Company
EM	Explanatory Memorandum
Geologist	Mr Mark Arundell (M Eco Geol, MAIG) of H&SC Consultants Pty Ltd
Geologist Report	The Independent Expert Report of the Geologist
NAV	Net Asset Value
Nexia	Nexia Melbourne Pty Ltd - AFSL Holder 247362
Proposal	The Acquisition and the Capital Raising
QMV	Quoted Market Value
Report	This Independent Expert Report prepared by Nexia in relation to the Proposal
RG 111	ASIC Regulatory Guide 111 - Content of Experts Reports
RG 112	ASIC Regulatory Guide 112 - Independence of Experts
Shares	Fully paid ordinary shares in the Company

nexia australia

the next solution

11 August 2015

The Directors
Callabonna Resources Limited
Level 17, 530 Collins Street
MELBOURNE VIC 3000

Dear Sirs,

INDEPENDENT EXPERT'S REPORT
ISSUE OF SHARES REQUIRING SHAREHOLDER APPROVAL UNDER S611 OF THE CORPORATIONS ACT

As Directors of Callabonna Resources Limited (**CUU**, or **Company**) you have requested Nexia Melbourne Pty Ltd (**Nexia**) to prepare an Independent Expert's Report (**Report**) in relation to a proposed issue of approximately 111 million CUU shares (on a post-consolidation basis[1]) to shareholders of Alice Queen Holding Pty Ltd (**AQH**, or **the Vendors**).

The Proposal (as described in section 1.2 below) will be presented to CUU Shareholders for approval at an Extraordinary General Meeting to be held on or about 15 September 2015 (**EGM**).

You have requested Nexia to provide an opinion on whether the Acquisition, the subject of Resolution 3 in the Notice of Meeting, is fair and reasonable to the non-associated shareholders of the Company (**CUU Shareholders**).

Unless otherwise specified, all dollar amounts in the Report are in Australian Dollars (AUD).

1. INTRODUCTION

1.1 BACKGROUND

1. Callabonna is an Australian Securities Exchange (**ASX**) listed exploration company based in Melbourne. Its key asset is an interest in a prospective high grade manganese project in Eastern Mali, Africa (**the Ansongo Project**).

2. The Company has the right to earn up to a 51% controlling interest in Ansongo Limited which in turn is the majority (70.4%) owner of the entities including Mali Manganese SA which ultimately owns the Ansongo manganese mining permit.

3. The Company announced on 24 February 2015 that the Mali Government, who had previously approved the transfer of the mining lease to the present owners, is considering an adverse ruling by the Mali Supreme Court in relation to the transfer. Subsequently, the drilling program and all non-

[1] The Company intends to undertake a 10:1 share consolidation of its ordinary shares, the subject of Resolution 2 in the Notice of Meeting

Nexia Melbourne Pty Ltd
Level 18, 530 Collins Street, Melbourne VIC 3000
p +61 3 9608 0100, f +61 3 9608 0192
info@nexiamelbourne.com.au, www.nexia.com.au

essential expenditure had been suspended whilst Mali Manganese SA, the holder of the permit, filed for a review of the Supreme Court decision.

4. The Company announced on 12 March 2015 that it had entered into a binding Term Sheet to acquire 100% of the issued capital of Alice Queen Holdings Pty Ltd (**AQH**) (**the Acquisition**). AQH is a private unlisted company which owns the majority interests (84.5% and 90% respectively) of two exploration projects – the **Horn Island Gold Project** located in the Torres Strait and the **Looking Glass Project** - a copper/gold porphyry target which sites within the Lachlan Fold Belt in northern New South Wales (collectively the **AQH Projects**).

5. The Company announced on 17 June 2015 that Mali Manganese SA had succeeded in the review against the Supreme Court's decision, which affirmed that the transfer of the mining permit to Mali Manganese SA was valid. There has been a considerable delay and circumstances have changed since the original plans for Ansongo. The Company is now commencing a process of engaging with its counterparts in the Ansongo Project to determine what (if any) involvement the Company may wish to pursue in the future.

1.2 AQH ACQUSITION AND CAPITAL RAISING

6. CUU currently has 184,500,498 fully paid ordinary shares on issue, held by a total of 1,849 shareholders. The Company intends to undertake a 10:1 share consolidation of its ordinary shares, and is the subject of Resolution 2 in the Notice of Meeting. We have assumed that this Resolution will be passed and any further references to share holdings in this Report are on a post-consolidation basis, unless otherwise specified. Following the proposed 10:1 share consolidation, CUU will have 18,450,050 fully paid ordinary shares on issue.

7. Under the terms as outlined in the Notice of Meeting (**NOM**), the Company will acquire 100% of the issued capital of AQH, through the issue of 110,700,298 (post consolidation) CUU Shares.

8. As a condition of the proposed Acquisition the Company intends to raise up to $3.5 million through the issue of 63,636,364 fully paid ordinary shares of the Company at an issue price of 5.5 cents (**Capital Raising**).

9. The following Table shows the potential dilution to CUU Shareholders before and after the Acquisition, and following completion of the Capital Raising.

Table 1: Potential CUU shareholding

	Current		Capital Raise ($3.5m)	
	Shares ('000s)	**%**	**Shares ('000s)**	**%**
CUU Shareholders	18,450	100.0%	18,450	9.57%
AQH Vendors	-	-	110,700	57.42%
Capital Raising Investors	-	-	63,636	33.01%
Total	**18,450**	**100.0%**	**192,787**	**100.00%**

10. CUU Shareholders will be diluted from 100% to down to 9.57% of the Company, following approval of all resolutions and completion of the Acquisition and Capital Raising.

11. Henslow Pty Ltd (**Henslow**) has been mandated by the Company to provide corporate advisory and capital raising services in respect of the Acquisition and Capital Raising. The Company has agreed to pay Henslow up to a total of $95,000 in corporate advisory and capital raising success fees, with an additional capital raising fee of 6% of gross funds raised in the Capital Raising.

12. The Acquisition is the subject of Resolution 3 in the NOM and is dependent upon shareholder approval of all other resolutions in the NOM except for Resolutions 9A-9C, 10 and 11. An overview of each of the Resolutions for which shareholder approval is sought is set out below:

- *Resolution 1*: Change of nature and scale of business activities;
- *Resolution 2*: A 10:1 share consolidation of all the Company's ordinary fully paid shares;
- *Resolution 3*: The issue of 110.7 million shares to AQH Vendors for 100% of the issued capital of AQH;
- *Resolutions 4-7*: The appointment of Directors Andrew Buxton, Bruce Fulton, Mark Kerr and John Holliday, all current directors of AQH;
- *Resolution 8*: Approval for issue of 63.6 million shares at 5.5 cents per share to raise $3.5 million under a Capital Raising;
- *Resolutions 9A*-9C: Approval for existing directors Michael Raetz, Phillip Harman and Jeffery Williams to participate in the Capital Raising for a maximum $50k each, at the same issue price of 5.5 cents per share as all other investors
- *Resolution 10*: Change of name of the Company to Alice Queen Limited; and
- *Resolution 11*: Approval of employee share option plan

Full details in respect of each Resolution are set out in the Notice of Meeting and Explanatory Memorandum.

13. The Acquisition (Resolution 3) is the subject of our opinion and Report. However, the Acquisition, the Capital Raising, change of nature and scale of business activities, share consolidation, and appointment of directors, are all interdependent and are, for the purposes of this Report, referred to collectively as **the Proposal**.

2. PURPOSE AND SCOPE OF THIS REPORT

14. CUU is a public listed company incorporated in Australia and accordingly is subject to the Chapter 6 Takeover regulations of the Corporations Act 2011 (**the Act**). Any securities issued to the Vendors as part of the Acquisition will be fully paid ordinary shares in the Company and are considered "voting shares" for the purposes of the Act.

15. Section 606(1) of the Act prohibits the acquisition by a person of more than a 20% relevant interest in voting shares of a company. Where the person already has a 20% or more interest prior to the

transaction, there is a prohibition to acquire any further interests. Item 7 of Section 611 of the Act does however provide an exception to the prohibition if shareholder approval for the issue of the securities is given.

16. As set out in Table1 above following completion of the Proposal, the Vendors will in aggregate hold a relevant interest of approximately 57.42% of the Company's ordinary fully paid shares.

17. The Vendors, being the shareholders of AQH, will in aggregate obtain a relevant interest in more than 20% of the issued share capital of the Company on completion of Proposal. Having regard to the full substance of the transaction and ASIC regulatory guidance in respect of circumstances in which parties with a shared goal or purpose may, for the purposes of a transaction, be deemed to be associates, in the interests of full disclosure the Company has elected to seek shareholder approval for the Acquisition under item 7 of section 611 of the Act on the basis that all the Vendors are 'associated'.

18. In accordance with the requirements of Item 7 of Section 611 and the provisions of ASIC Regulatory Guides, the Directors of CUU have engaged Nexia to prepare an Independent Expert's Report for CUU Shareholders in relation to the Proposal. The Report will accompany the Notice of Meeting to be sent to shareholders. The scope of the Report is to consider if the Acquisition, the subject of Resolution 3 is fair and reasonable to CUU Shareholders.

3. EXECUTIVE SUMMARY OPINION

3.1 GENERAL

19. Our report has been prepared having regard to ASIC Regulatory Guide 74 "Acquisitions Approved by Members" (**RG 74**), Regulatory Guide 111 "Content of Expert's Reports" (**RG 111**), Regulatory Guide 112 "Independence of Experts" (**RG 112**), and Regulatory Gide 170 "Prospective Financial Information" (**RG 170**).

20. In forming our view of the Proposal we have had regard to the current value of CUU Shares, and the financial impact (i.e. "Fairness" / quantitative assessment) and other qualitative aspects (i.e. "Reasonableness") of the Proposal for CUU Shareholders.

21. In respect of our "Fairness" assessment, this assignment is also a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

22. We have considered the terms of the Proposal as outlined in the Notice of Meeting and in this Report and as a result of our review and considering all the factors we are of the opinion that the Proposal is **fair and reasonable** to CUU Shareholders**.**

3.2 FAIRNESS (QUANTITATIVE ASSESSMENT)

23. RG 111 states that an offer is fair 'if the offer price or consideration is equal to or greater than the value of the securities subject of the offer'. In the context of the Proposal this principle translates to circumstances where the consideration received (100% of the shares in AQH) is greater than the value of the CUU Shares given as consideration. RG 111 further provides that the value of securities should be considered on a "control basis' as if the acquirer was obtaining control of the Company, (refer Section 3.3).

24. The financial impact of the Proposal to CUU Shareholders, based on the assessed value of CUU shares held by them using the adopted valuation methodologies and basis, is summarised in the Table 2 below.

Table2: Summary of Proposal on CUU Shareholders per share value

$ per share	Low	Preferred	High
Value of CUU shares Pre-Proposal (control value)	1.65	1.65	1.65
Value of CUU shares Post-Proposal (minority value)	1.74	1.93	2.12
Value accretion / (dilution)	**0.09**	**0.28**	**0.47**

25. We have assessed the Pre-Proposal value of CUU to CUU Shareholders to be $0.3 million or 1.65 cents per share. In assessing the value of CUU we consider that the most appropriate methodology is based upon the adjusted Net Asset Value (**NAV**) methodology which in our opinion represents a "control" value for CUU. This adjusted NAV incorporates an assessment of the intangible value of maintaining an active ASX listing.

26. In assessing the value of CUU shares post-Proposal we have also adopted an underlying Net Asset Value methodology, which includes an assessment of the Technical Value[2] of AQH's respective mineral resource projects and its other assets. The value of the mineral resource projects is based on an independent **Geologist Report** prepared by Mr Mark Arundell (M Econ Geol, MAIG) of H&SC Consultants Pty Ltd (**Geologist**) and an independent assessment thereof by a specialist geotechnical valuer, Ms Alison Keogh (MAusIMM (CP)) of AMC Consultants Pty Ltd (**AMC**), who ascribed a value of AQH's Projects in the range of $1.5 million to $2.5 million, with a preferred value of $2.0 million.

27. We highlight that the Geologist Mr Arundell has stated in his report that the Horn Island project is classified pursuant to the ASX Listing Rules requirements for public reporting of "historical resources" (sections 5.12, 5.14), which is applicable for "*projects that have historical estimates prior to February 1989 (with no subsequent reporting since that date) which is when the JORC (Joint Ore Resources Committee) Code was introduced*".

28. AMC also states in Section 3.3 of her report that "*it is AMC's view that it is reasonable to apply a resource yardstick approach on the basis of the historic resources, using a low yardstick value that reflects the risk associated with the historic resource estimate*." AMC also estimated the replacement cost of current exploration information as a further valuation methodology.

[2] Per the VALMIN Code

29. Based on Table 2 above, we determine that the value of CUU Shares post-Proposal (on a minority basis) is greater than the value of CUU Shares pre-Proposal (on a control basis) under both the preferred and high values, and so the Proposal has an accretive impact on the value of CUU Shares, when considered in the context of a control transaction as required by ASIC RG111.

30. Based upon the foregoing assessment in accordance with ASIC guidelines, we are of the opinion that on a control basis the Proposal is likely to be **fair** to CUU Shareholders.

3.3 CONTROL PREMIUM

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

32. If the Proposal is approved and completed, AQH will obtain a relevant interest of approximately 57.42% of CUU shares. Whilst AQH will not be obtaining 100% of CUU, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained.

33. In accordance with RG111, in forming our view of the value of CUU shares pre-Proposal we have adopted a control based valuation. We have then compared this with the minority value of CUU Shares if the Proposal is approved. In this manner the dilutive or positive impact of the Proposal on the fair value of CUU Shares held by CUU Shareholders is readily demonstrated. As noted above the Proposal is likely to be value accretive based on both the preferred and high valuations and thus CUU Shareholders are likely to be receiving a premium for loss of control of CUU.

3.4 OTHER QUALITATIVE FACTORS OF THE PROPOSAL

34. In assessing if the advantages of the Proposal outweigh the disadvantages we have had regard to the following:

Advantages of the Proposal	▪ The Proposal is fair at the preferred and high range of valuations ▪ The Proposal will improve the financial position of CUU ▪ The Proposal may give rise to potential re-pricing of CUU Shares ▪ The Proposal is the only offer capable of acceptance at present ▪ CUU Shareholders are receiving a premium for loss of control.
Disadvantages of the Proposal	▪ The Proposal is unfair at the low range of valuation ▪ Existing CUU Shareholders interests will be significantly diluted from 100% to 9.57% post-Proposal ▪ AQH Vendors, board and management will assume effective control of CUU

	▪ The Proposal may increase the risk profile for CUU Shareholders. ▪ The development of the AQH Projects will require further funding which may be dilutive to shareholders. This includes a requirement to spend an aggregate of approximately $4.7 million over the first 3 years and approximately $16.9 million within 5 years as a condition of the exploration licenses (assuming EPM 25418 is granted).
If the Proposal is NOT approved	▪ The Directors have advised us that they will seek to renegotiate with their joint venture partners to reach a revised acceptable solution for the pursuit of the Ansongo Project, where all operations have stalled for the last 5 months. Even if the Directors decide to continue the Ansongo Project, the Company is likely to lack sufficient funds to pursue further exploration. Development of the project for the benefit of CUU would likely require a significant capital raising which may be more dilutive to the CUU Shareholders than the Proposal. ▪ Given the lack of alternative offers, the costs likely to be incurred up to the transaction date and in the absence of short-term working capital funding, CUU are likely to require further funds to the further detriment of net assets or shareholder dilution.

35. In our opinion the position of CUU Shareholders is more advantageous post-Proposal than pre Proposal, and therefore the Proposal is **reasonable** to CUU Shareholders.

3.5 SUMMARY OF OPINION

36. On balance of all the matters considered we are of the view that the Proposal is **fair and reasonable** to CUU Shareholders.

4. GENERAL DISCLOSURES AND LIMITATIONS

Changes in market conditions

37. Our analysis and conclusions are based on market conditions existing at the date of this Report. A limitation of our conclusion is that market conditions may change between the date of this Report and when the various aspects of the transaction are concluded.

Individual shareholder circumstances

38. Acceptance or rejection of the Proposal is a matter for individual shareholders based upon their own views of value, risk, and portfolio strategy. CUU Shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.

Entirety of Report

39. This summary opinion should be read in conjunction with and not independent of the remainder of this Report.

40. The Report should also be read in conjunction with the Notice of Meeting to which this Report is attached. Terms in this Report are, unless otherwise noted, consistent with terms and description referred in the Notice of Meeting.

Yours faithfully
Nexia Melbourne Pty Ltd
Holder of Australian Financial Services License No.247362

Gary Graco
Authorised Representative

5. DISCLOSURES AND LIMITATIONS

41. This Report has been prepared at the request of the directors of CUU for the purposes of assisting Shareholders in their evaluation of the Proposal.

42. The Report is not intended to serve any other purpose and should not be relied upon by any other person for any other purpose. In preparing this Report, Nexia has relied upon financial and other information provided by CUU. Furthermore, we have relied upon the representations and opinions of the management of CUU.

43. We believe that (unless stated otherwise) the information provided was reliable, complete and not misleading and there is no reason to believe that any material facts have been withheld. However, we have not conducted any separate due diligence or audit investigations to assess the correctness or completeness of this information. Information, judgements and representations have been evaluated through analysis, enquiry and review to the extent practicable. However, it must be appreciated that such information is not always capable of external verification or validation.

44. Acceptance or rejection of the Proposal is a matter for individual shareholders based upon their own views of value, risk, and liquidity preference and portfolio strategy. CUU Shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.

45. The opinion of Nexia is based on economic market and other conditions prevailing on the date of this Report. Such conditions can change significantly over a relatively short period of time.

6. REGULATORY FRAMEWORK

6.1 CORPORATIONS ACT – TAKEOVER PROVISIONS

46. Section 606(1) of the Act prohibits the acquisition of a relevant interest in the voting shares of a company where (a) a person's voting power increases from below 20% to more than 20%; or (b) from a starting point above 20% and below 90%. The interest of "associates" is aggregated for these purposes. Acquisition can be by way of transfer from other shareholders (purchase) or by way of issue of new securities (subscription). Item 7 in the Exemptions Table of Section 611 of the Act provides an exemption to the Section 606 prohibition if the acquisition is approved by a majority of shareholders at general meeting and no votes are cast by the persons to whom shares are to be issued to or their associates.

47. Under the terms of the Proposal, the Company will acquire 100% of the issued capital of AQH, through the issue of 110,700,298 CUU Shares.

48. To facilitate the Acquisition there will also be a capital raising to raise $3.5 million through the issue of 63,636,364 fully paid ordinary shares of the Company at an issue price of 5.5 cents.

49. As set out in Table 1 above, following completion of the Proposal, AQH Vendors will have approximately 57.42% of the Company's fully paid ordinary shares, and CUU Shareholders will be diluted from 100% to 9.57% of the Company.

50. If the Proposal is implemented AQH Vendors will in aggregate obtain a relevant interest in more than 20% of the issued share capital of the Company on completion of the Company's acquisition of AQH. No individual AQH vendor whether alone or in conjunction with their associates, obtain a relevant interest in more than 20% of the issued capital of the Company on completion of the Company's acquisition of AQH.

51. To implement the Proposal as planned, the directors are seeking approval of Shareholders for the Proposal, and thus exempt the AQH Vendors from the requirement to make a full takeover offer to CUU Shareholders pursuant to Item 7 of Section 611 of the Act.

52. In accordance with the provisions of ASIC Regulatory Guides, the Directors of CUU have engaged Nexia to prepare an Independent Expert's Report for CUU Shareholders in relation to the Proposal. This satisfies the obligation under RG 74.12 to supply shareholders with "enough information to make an informed decision on the merits of the Proposal". The Report will accompany the Notice of Meeting to be sent to Shareholders. The scope of the Report is to consider if the Acquisition, the subject of Resolution 3, is fair and reasonable to CUU Shareholders.

6.2 GUIDELINES ISSUED BY ASIC ON ACQUISITIONS AGREED TO BY SHAREHOLDERS

53. ASIC has issued Regulatory Guides 111 – *Content of Experts Reports* ("RG111") and Regulatory Guide 112 –*Independence of Experts* ("RG112"). We highlight the following from RG111 that are pertinent to this Report.

> RG111.5 *In deciding on the appropriate form of analysis for a report, an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction. An expert should focus on the purpose and outcome of the transaction, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction.*

54. RG111 does not prescribe the form of analysis relevant to matters subject to acquisitions approved by security holders under item 7 of s611 however practice has commonly adopted the 'fair and reasonable' proposition as an appropriate form of analysis. RG111 sets out the principles of fair and reasonable in the context of a Chapter 6 control transaction.

> RG111.10 *It has long been accepted in Australian mergers and acquisitions practice that the words 'fair and reasonable' in s640 establish two distinct criteria for an expert analysing a control transaction:*

(a) is the offer 'fair'; and
(b) *is it 'reasonable'?*

RG111.11 *Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made:*
(a) *assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and*
(b) *assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.*

RG111.12 *An offer 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 before the close of the offer.*

55. We have necessarily considered the ASIC guidance in our analysis. The methodology that we have used to form an opinion as to whether the Proposal is fair and reasonable, is summarised as:

- Fairness – This assessment of value of the securities subject of the offer (i.e. CUU Shares) is made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. We have also considered the value of CUU Shares pre-Proposal on a control basis and compared this to the value of CUU Shares post-Proposal on a minority basis. In this manner the dilutive or positive impact of the Proposal can be demonstrated. This assessment will identify if CUU Shareholders are receiving a premium for control, given that the Vendors may obtain a controlling interest in CUU.

- Reasonableness – we have analysed other significant factors, which shareholders should consider prior to accepting or rejecting the Proposal, including the advantages and disadvantages of the Proposal and the alternatives available if the Proposal is not approved.

6.3 GUIDELINES ON VALUATION ENGAGEMENTS

56. This report has also been undertaken in accordance with the requirements set out in Accounting Professional and Ethical Standards Board professional standard 225 "Valuation Services" (**"APES 225"**).

57. A valuation engagement is defined by APES 225 as "*Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member 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 Member at that time".

6.4 GUIDELINES ON ENGAGEMENT OF SPECIALISTS

58. APES 225 states that where a Valuation Service requires the consideration of matters that are outside a Member's professional expertise, the Member shall seek expert assistance or advice from a suitably qualified third party on those matters outside of the Member's professional expertise. The Member shall disclose in any Valuation Report or other relevant communications the extent of the reliance upon the advice of such a third party.

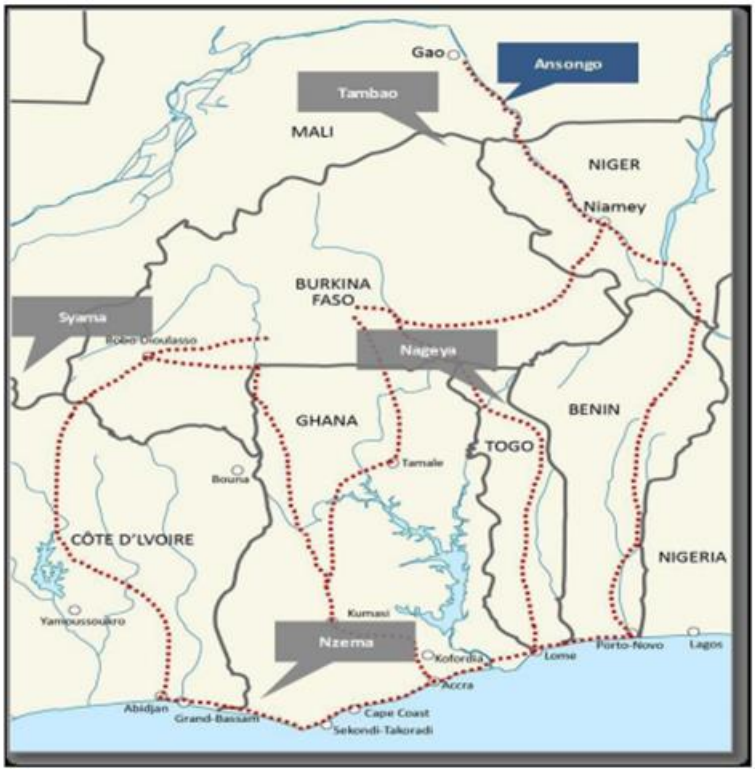
59. When planning to use the work of a suitably qualified third party, a Member shall assess the professional competence and objectivity of the third party, the engagement terms of the third party and on completion the appropriateness and reasonableness of the work performed.

60. In respect of technical assessment and valuation of mineral and petroleum assets, the VALMIN code for the technical assessment and valuation of mineral and petroleum assets and securities for independent experts reports is usually the adopted guideline for specialist experts. The VALMIN Code was developed by a joint committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and MICA, in consultation with the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector. The current version of the Code was approved on 29 April 2005. The fundamental principles of the Code relate to Materiality, Competence, Independence and Transparency. VALMIN also requires commentary on the reasonableness and quality of resource or reserve estimates in accordance with the current JORC Code (Joint Ore Reserves Committee) standard for reporting resource and reserve estimates.

7. PROFILE OF CALLABONNA

7.1 COMPANY OVERVIEW

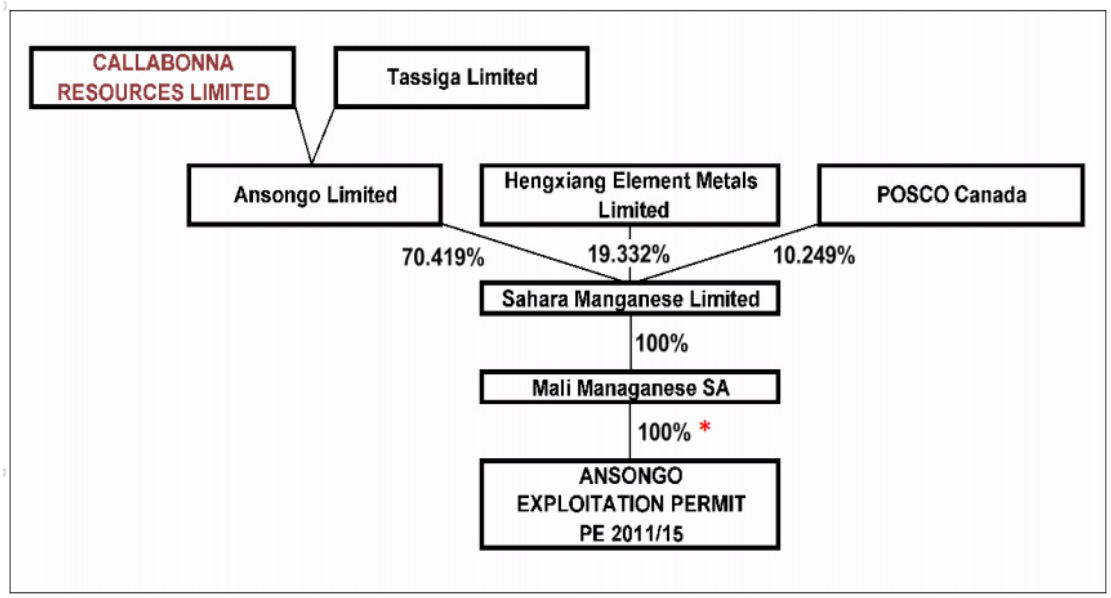
61. Callabonna is an ASX listed exploration company based in Melbourne. Its key asset is a contractual right acquired in 2014 to earn a 51% interest in Ansongo Limited, equating with 36% in the Mining Lease PE2011/15 in Mali (the **Ansongo Project**), a prospective high grade manganese project. The project is located in Eastern Mali, Africa and is situated close to the borders of Burkina Faso and Niger and only 100 kilometres from Tambao, an exceptionally high grade manganese project.



62. Manganese is the fourth most used metal in terms of tonnage after iron, aluminium and copper and 90% of all manganese consumed annually goes into steel as an alloying agent[3]. It was envisaged that with further drilling, a new mine plan and processing plant operations could re-commence by trucking and longer term with government support and a proposed new rail infrastructure network, the project could deliver significant value to the Company and those associated in the project.

63. The Company has the right to earn up to a 51% controlling interest in Ansongo Limited, which is the majority (70.4%) owner of the entities which hold the Ansongo manganese mining permit. The project structure is shown in the following diagram.

[3] Australian Atlas of Mineral Resources, Mines & Processing Centres



Source: Investor presentation 1 August 2014

64. On 6 May 2014 a three year plan was announced whereby the Company would conduct exploration and bulk sampling, spend up to $3.5 million and to publish a maiden resource of at least 5 million tonnes at 35% Manganese content to take its stake in Ansongo Limited to 17.2% (12.1% of the Ansongo Project). This earn in is a right but not an obligation and is protected by shareholder agreements and power of attorney. The Company subsequently announced on 21 October 2014 it had acquired additional rights to 33.8% of Ansongo issued capital to increase its stake in Ansongo Limited to 51% (36% of the Ansongo Project) by additional expenditure over 4 years of $8.45 million.

65. A 280 tonne sample was tested in July 2014 and indicated a positive result of 36% Manganese content. The Company announced in September 2014 an initial drilling program to confirm the existence and nature of the mineralisation and drilling was expected to commence in early 2015.

66. The Company announced on 24 February 2015 that the Mali Government, who had previously approved the transfer of the mining lease to the present owners, was considering an adverse ruling by the Mali Supreme Court in relation to the transfer. Subsequently, the drilling program and all non-essential expenditure was suspended whilst Mali Manganese SA, the holder of the permit, filed for a review of the Supreme Court decision.

67. The Company announced on 17 June 2015 that Mali Manganese SA had succeeded in the review against the Supreme Court's decision, which affirmed that the transfer of the mining permit to Mali Manganese was valid. Given the lapsed time period, the Company is seeking to engage with its joint venture partner and vendor, Tassiga Limited, to find an agreeable commercial solution for the Ansongo Project and to adjust the arrangements between them for the development of the Ansongo Project. The Company have further noted that the court decision and any discussions with Tassiga for the pursuit of the Ansongo Project will not impact the acquisition agreement between CUU and AQH.

7.2 SHARE CAPITAL

68. CUU currently has 184,500,498 (or 18,450,050 post-consolidation) ordinary shares on issue held by a total of 1,849 registered shareholders. Table 3 below sets out the top 10 shareholders as at 19 May 2015, assuming the share consolidation will proceed:

Table 3: Top 10 shareholders

Rank	Name	Shares (000's)	%
1	Wealford Investments Limited	2,287	12.39
2	Mitchell Limb	2,287	12.39
3	Pajal Pty Ltd	1,042	5.65
4	SK Networks Resources Australia Pty Ltd	1,000	5.42
5	Toad Facilities Pty Ltd	749	4.06
6	M & M Raetz Pty Ltd	649	3.52
7	Fountain Oaks Pty Ltd	619	3.36
8	Dyspo Pty Ltd	557	3.02
9	WXH Holdings Pty Ltd	540	2.93
10	Peter Bull Superannuation Management	474	2.57
	Total Top 10 holders of Ordinary fully paid shares	**10,204**	**55.32**
	Other Shareholders	**8,246**	**44.68**
	Total	**18,450**	**100.00**

Source: CUU management

69. CUU Shares are heavily concentrated with the top 10 shareholders accounting for 55.32% of total issued capital, with the largest shareholders Wealford Investments Ltd and Mr Mitchell Limb, holding 12.39% of issued capital each. Current directors of CUU hold a relevant interest in approximately 13.25% of total issued capital.

70. The Company also has the following options on issue (reflected on a post-consolidation basis):

Expiry Date	Exercise price	No. of options
30 Jun 2017	$0.30	1,328,235
31 Dec 2017	$0.30	2,030,770

71. Given that the lowest exercise price of the options is more than four times the most recently traded price of CUU shares, and the proposed price for the Capital Raising, we do not consider these options are likely to be exercised and so have disregarded the exercise of these options in our assessment of the Proposal. We note that should these options be exercised, it would represent less than 2% of total issued share capital Post-Proposal, and do not consider this to be material.

7.3 FINANCIAL PERFORMANCE

72. A summary of the Company's operating results for the financial years ended 30 June 2013 (audited) and 2014 (audited), 6 months to 31 December 2014 (audit reviewed) and for the 11 months to 31 May 2015 (unaudited) are shown in Table 4 below.

Table 4: CUU Statements of Comprehensive Income

$'000s	Notes	31-May-15 (unaudited)	31-Dec-14 (audit reviewed)	30-Jun-14 (audited)	30-Jun-13 (audited)
Other income		12	1	5	5
Administrative and consultants expense		(375)	(237)	(365)	(472)
Depreciation		(11)	(11)	(12)	(22)
Exploration expenses		(226)	-	-	(20)
Impairment loss – mining tenements		(41)	(41)	(10)	(75)
Impairment loss – available for sale investments		(2)	(2)	-	-
Impairment loss – deposit	(a)	-	-	(300)	(12)
Impairment loss – contract rights	(b)	(571)	(571)	-	-
Loss before income tax		**(1,214)**	**(861)**	**(682)**	**(596)**
Income tax benefit		-	-	-	-
Net loss for the period		**(1,214)**	**(861)**	**(682)**	**(596)**
Net change in fair value of available-for-sale financial assets		-	(2)	2	-
Total comprehensive loss		**(1,214)**	**(863)**	**(680)**	**(596)**

Source: Annual Reports and CUU management

73. With respect to Table 4 above we note that

a) A refundable deposit of $0.3 million was previously provided as part payment for the proposed acquisition of 100% of the shares in a Hong Kong company, Element Morocco Limited. CUU announced their intention to terminate the sale agreement in FY14, and the refund was provided to the Company by way of shares in Ansongo Limited instead of cash.

b) As announced to the ASX on 24 February 2015, the Company's investment in the Ansongo Manganese Project has stalled due to political issues, therefore CUU management have decided to fully impair their investment in this project until such time as there is more certainty with the project going forward.

74. Table 4 above also shows that the Company does not have any revenue-generating activities and continues to incur losses.

7.4 FINANCIAL POSITION

75. A summary of CUU's Statement of Financial Position as at 30 June 2013 (audited), 30 June 2014 (audited), 31 December 2014 (audit reviewed) and as at 31 May 2015 (unaudited), are summarised in Table 5 below.

Table 5: CUU Statements of Financial Position

$'000s	31-May-15 (unaudited)	31-Dec-14 (audit reviewed)	30-Jun-14 (audited)	30-Jun-13 (audited)
Cash and cash equivalents	203	445	217	508
Trade and other receivables	-	17	9	2
Other	28	27	9	10
Total current assets	**231**	**489**	**235**	**520**
Property plant & equipment	-	-	11	23
Intangible assets	-	-	88	-
Available for sale investments	-	26	29	28
Exploration and evaluation expenditure	-	-	41	96
Other	8	30	40	340
Total non-current assets	**8**	**56**	**209**	**487**
TOTAL ASSETS	**239**	**545**	**444**	**1,007**
Trade and other payables	67	70	58	171
Total current liabilities	**67**	**70**	**58**	**171**
TOTAL LIABILITIES	**67**	**70**	**58**	**171**
NET ASSETS	**172**	**475**	**386**	**836**

Source: Annual Reports and CUU management

76. The intangible assets of CUU represent contract rights to the Ansongo Manganese Project and exploration and evaluation expenditure have been written down to nil to reflect the current uncertainty regarding the project.

77. Table 5 above shows that as at 31 May 2015, the Company has no significant assets other than cash, nor liabilities.

7.5 FINANCIAL PROSPECTS

78. The future financial prospects of the Company are limited given it currently has no viable assets or liabilities, and will continue to incur overhead costs. If the Proposal is rejected, there does not appear to be any other means by which the Company is able to generate sufficient revenue to become viable in the absence of a near term capital raising.

79. KPMG's audit review report dated 16 March 2015 on the half year financial statements ending 31 December 2014 notes that there as a material uncertainty regarding continuation as a going concern.

8. PROFILE OF ALICE QUEEN HOLDING

8.1 OVERVIEW

80. Alice Queen Holding Pty Ltd is an Australian private company that is developing a number of gold and copper exploration and mining opportunities.

81. AQH currently holds two exploration licenses in the following projects:

- **Horn Island Project**: Located in the the Torres Strait, north of Cape York Peninsula, the Horn Island Project (Exploration Permit 25520) is a gold exploration project and joint venture established in May 2013 between AQH, the AQH founders and the Kaurareg Aboriginal Land Trust. There is currently an existing known mineral field and abandoned gold mine that was only previously explored to shallow depth and only a small part of the known mineralised area. The mine was last operated in 1989 when it appears a combination of a low gold price, lower gold grade compared with the predicted resource, and a mine fatality caused the project to be abandoned. As such, the only known resources are classified as "historical resource estimates" and not a Mineral Resource under the JORC Code which was first published in 1989. The intention is to expand the scope of exploration and understanding of the extent of the mineralisation. Under the terms of EMP 25520, AQH is required as a condition of the license to spend $16 million over the next 5 years. AQH holds a 84.5% interest in this Project. AQH also have an application for a second tenement in the Torres Straight area – EPM 25418 which has not yet been granted.

- **Looking Glass Project**: Located in northern New South Wales in the Lachlan Fold Belt porphyry province along the Molong Volcanic Belt. The Looking Glass tenements (Exploration Permit 8225) cover the northern extension of the Molong Volcanic Belt where it goes undercover and as a result has remained unexplored to this day. AQH holds a 90% interest in this Project.

Further details on the projects are outlined in the Geologist Report in Appendix D.

82. The current executive management team of AQH comprises of:

- **Bruce Fulton (non-executive chairman)**: Bruce has an M.Sc. (Earth Sciences) from Waikato University, New Zealand, and an MBA from Deakin University, Melbourne, Australia. He is a member of: The Australian Institute of Company Directors (MAICD); The Australasian Institute of Mining and Metallurgy (MAusIMM); Canadian Institute of Mining, Metallurgy and Petroleum (MCIM); Society of Economic Geologists (MSEG). Bruce is an experienced geologist and previously held the position of Chief Geologist at Porgera Gold Mine, Papua New Guinea. Following his career in mining with companies such as Dominion Mining, Placer Dome and Plutonic Resources, Bruce co-founded Ophir Partners, an executive search company specialising in the resources industry. He currently holds Board positions as Non-executive Director of Signature Gold Limited and is Managing Director of Ophir Partners. Bruce was also recently appointed to the respected position of Member of the Executive Council of the Association of Mining and Exploration Companies (AMEC)
- **Andrew Buxton (managing director):** Andrew was previously Managing Director of Kidman Resources Limited [ASX: KDR] an ASX listed base metals and rare elements explorer in NSW and NT. Kidman Resources listed on the ASX in January 2011 and was ranked as the fifth best performing IPO by price appreciation, by Deloitte Touche Thomatsu in its Annual IPO Report 2011. Before this Andrew was co-founder and Executive Director of Media Entertainment Group Limited [ASX: MED], which specialized in screen advertising. MED was ASX listed and operated in six countries before being acquired by Consolidated Press Holdings
- **Mark Kerr (non-executive director):** Mark is Chairman of Contango Microcap Limited (appointed December 2009) and is a non-executive director of Contango Income Generator Limited (appointed October 2012). He is a non-executive Chairman of Think Childcare Limited (appointed June 2014) and Chairman of Hawthorn Resources Limited (appointed November 2007). Mark specialises in public relations and reputation management consultancy and has served on a number of public company boards. He is currently a director of Berkeley Consultants, a public relations and reputation management consultancy. In 1992, Mark was the director responsible for the launch and publication of the National Directory of Aboriginal and Torres Strait Islander Organisations, this directory being the first of its kind in Australia.
- **John Holliday (non-executive director):** John has over 30 years' experience in metals exploration mostly with BHP Minerals and Newcrest Mining, including the positions of Chief Geoscientist and General Manager, Property Generation. John was a principal discoverer and site manager of the Cadia and Marsden porphyry gold-copper deposits in NSW, and was a principal geological advisor on the acquisition of many significant projects, including Namosi and Wafi-Golpu. John has worldwide experience in gold-copper deposit exploration and evaluation and has presented at major international conferences on exploration for porphyry deposits. He has a geophysics/geology honours degree from Macquarie University and an economics/politics degree from Sydney University. John is Principal of his own geoscience consultancy, Holliday Geoscience. John is a member of the Australian Institute of Geoscientists, the Australian Society of Exploration Geophysicists, and the Society of Economic Geology.
- **Anne Adaley (company secretary):** Anne has extensive experience in the resources sector, having held senior management roles with a number of listed public Australian exploration and mining companies over the last 25 years. This includes over a decade as Company Secretary for

several listed public companies. Anne is a qualified accountant and principal of Australian Mining Corporate and Administrative Services Pty Ltd which provides a full range of services including accounting, financial management and company secretarial. Anne serves as Chief Financial Officer and Company Secretary to Tellus Resources Ltd (since 2010), and has served as Chief Financial Officer and Company Secretary to Monaro Mining NL (2007-2009), Finance and Administration Manager to Climax Mining Limited (2005 to 2006) and Company Secretary and Group Financial Controller to Gympie Gold Limited (1997).

83. Under the terms of the Proposal, Bruce Fulton, Andrew Buxton, Mark Kerr and John Holliday will becomes directors of CUU. This is subject to Resolutions 4-7 in the NOM.

8.2 FINANCIAL PERFORMANCE

84. A summary of the AQH's consolidated operating results for the financial years ended 31 June 2013 (audited) and 2014 (audited), and 9 months to 31 March 2015 (audit reviewed) are shown in Table 6 below.

Table 6: AQH consolidated Statements of Comprehensive Income

$'000s	31-Mar-15 (audit reviewed)	30-Jun-14 (audited)	30-Jun-13 (audited)
Revenue from continuing operations	1	-	1
Administrative expenses	(141)	(33)	(60)
Compliance and regulatory expenses	(8)	(11)	(1)
Consultants	(10)	(3)	(11)
Exploration and tenement costs	(7)	(30)	(23)
Loss before income tax	**(165)**	**(77)**	**(94)**
Income tax benefit	-	-	-
Loss from continuing operations	**(165)**	**(77)**	**(94)**
Losses of non-controlling interest	-	3	-
Loss attributable to parent company	**(165)**	**(74)**	**(94)**

Source: AQH management

85. With respect to Table 6 above we note that there are currently no revenue generating assets, and AQH continues to incur overhead costs.

8.3 FINANCIAL POSITION

86. A summary of AQH's consolidated Statement of Financial Position as at 30 June 2013 (audited), 30 June 2014 (audited), and 31 March 2015 (audit reviewed) are summarised in Table 7 below.

Table 7: CUU consolidated Statements of Financial Position

$'000s	Notes	31-Mar-15 (audit reviewed)	30-Jun-14 (audited)	30-Jun-13 (audited)
Cash and cash equivalents		143	5	19
Trade and other receivables		17	6	40
Prepayments		8	-	-
Total current assets		**168**	**11**	**59**
Exploration and evaluation expenditure	(a)	144	5	-
Security deposits		13	10	-
Other assets		1	1	1
Total non-current assets		**158**	**16**	**1**
TOTAL ASSETS		**326**	**27**	**60**
Trade and other payables		21	10	-
Borrowings		-	32	-
Total current liabilities		**21**	**42**	**-**
TOTAL LIABILITIES		**21**	**42**	**-**
NET ASSETS		**305**	**(15)**	**60**
Issued capital		658	173	172
Accumulated losses		(352)	(188)	(113)
Total attributable to equity holders		**306**	**(15)**	**59**
Non-controlling interest	(b)	(1)	-	1
TOTAL EQUITY		**305**	**(15)**	**60**

Source: AQH management

87. With respect to Table 7 above we note that

a) Under the terms of EMP 25520 granted, AQH is required to spend approximately $4.25 million over the next 3 years and $16 million over the next 5 years. In the event that AQH is unable to do so then in order to maintain the licenses AQH would need to make an application to the Department to vary these obligations. The Directors of AQH believe that should insufficient funds be raised there is a material uncertainty that the Group will continue as a going concern and / or maintain its exploration licenses.

b) AQH controls 84.5% of Kauraru Gold Pty Ltd (Horn Island Project) and 90% of Monzonite Metals Pty Ltd (Looking Glass Project)

88. Table 7 above shows that as at 31 March 2015, AQH has no significant assets (other than cash and its exploration licenses), or liabilities.

89. The auditors, HLB Mann Judd Assurance (NSW) Pty Ltd noted in their audit report dated 7 May 2015 on the financial statements ended 31 March 2015 that there is a material uncertainty regarding continuation as a going concern.

9. INDUSTRY OVERVIEW

9.1 GOLD MINING[4]

90. Gold ore mining is an industry well established in Australia, and has undergone a strong period of growth over much of the past decade. This growth has stemmed from gold's status as a counter-cyclical commodity, meaning that it is viewed as a safe haven asset during times of national and global economic uncertainty. As a result, the onset of the global financial crisis and the recessionary environment that ensued provided a massive boost for the industry. In the five years through 2014-15, industry revenue is expected to increase at an annualised 3.4%.

91. Most of Australia's gold production comes from open-cut mines that use large earthmoving equipment, first to remove waste rock and overburden that is covering the gold bearing ore, and then to mine the ore. The ore and overburden are blasted to enable handling and transportation to a crusher, and overburden is disposed of.

92. As the value of global financial assets and currencies tumbled in the wake of the global financial crisis, investors across the world turned to gold as a safe monetary asset. This sudden increase in demand caused global gold prices to surge, pushing up industry revenue and profit. These conditions also prompted gold producers in Australia to expand production, as higher prices more than offset the higher cost of developing lower grade ores. However, the gold boom could be short-lived, given the declines in the world price of gold in 2012-13 and 2013-14 as the global economy strengthened and inflationary fears eased. Despite gold prices rising in 2014-15, industry revenue is expected to decline by 1.9% to $12.3 billion in the current year.

93. The industry will continue to be heavily influenced by the rise and fall of world gold prices over the five years through 2019-20. From an average of US$1,225 per troy ounce in 2009-10, gold prices soared in the early part of the period in the wake of the financial crisis. Prices peaked at US$1,669 per troy ounce during 2011-12 due to ongoing concern over the US and European debt crises, before declining in 2012-13 and 2013-14 (US$1,272 per troy ounce) as economic conditions improved. Gold prices are expected to change from year to year at a moderate rate, which will expose the industry to some revenue volatility. However, prices at the end of the five years through 2019-20 are expected to remain largely stagnant compared with the current five-year period. As a result, the expected slight increase in gold production will largely drive industry performance. Overall, industry revenue is projected to increase at an annualised 1.4% over the five years through 2019-20, to $13.1 billion. The small overall changes in gold prices and rising production and transportation costs are expected to limit profit growth in the next five years.

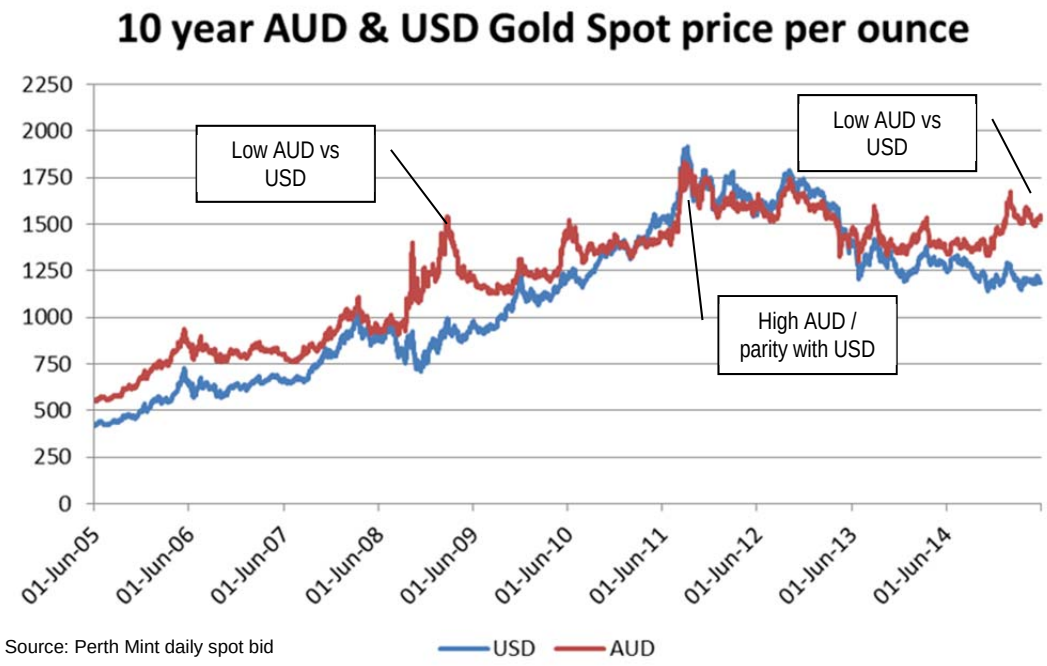
94. The US-to-Australian dollar exchange rate has a direct effect on Australian dollar returns received by local producers. When the Australian dollar is high, local gold exports face competition from foreign producers, which has a negative influence on industry revenue growth. A weaker Australian dollar benefits the industry as this reduces export prices and may serve as a buffer to any further US dollar

[4] IBISWorld Industry Report B0804 Gold Ore Mining in Australia – February 2015

denominated gold price decreases. Over 2014-15, IBISWorld expects the value of the Australian dollar to depreciate.

95. Chart 1 below shows the historical USD and AUD gold prices per ounce over the last 9 years. The chart shows that the AUD price of gold broadly tracks the USD price, except for periods of volatility between the AUD and USD currencies. In recent months, the decline in the AUD currency relative to the USD currency has served to offset the impact of the decline in the USD denominated price of gold. Over the last 5 years, the average gold price has been $AUD1,489 per ounce, (approximately $52 per gram), well above the average for the 10 year period from 1995 to 2005 of $AUD 505 per ounce.

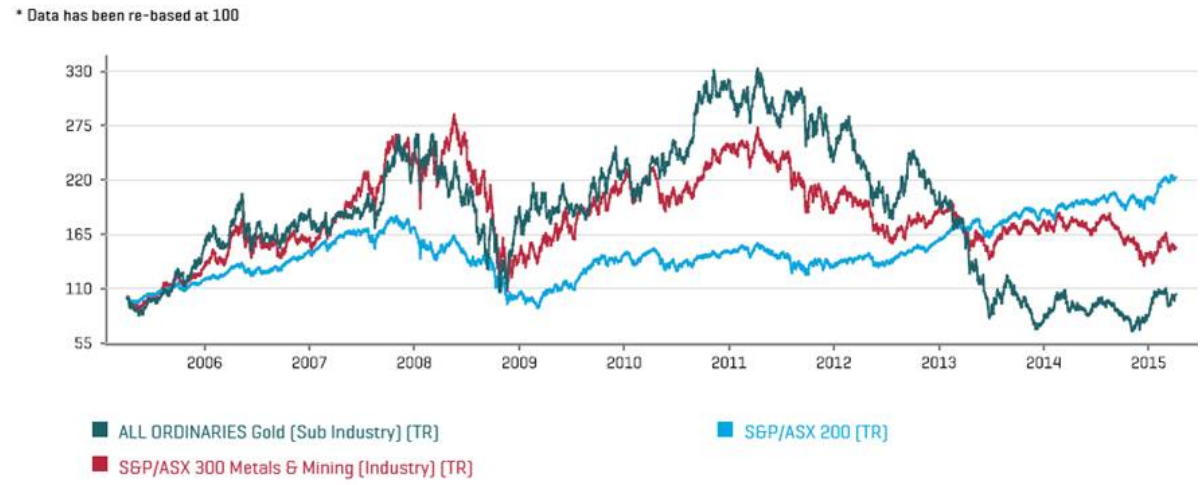
Chart 1 – Historical AUD & USD Gold spot price per ounce



Source: Perth Mint daily spot bid

96. Chart 2 below sets out the share price performance of various ASX indices. The S&P/ASX All Ordinaries Gold Index includes companies in the gold sub-industry of the All Ordinaries Index. The index includes a wide range of companies and therefore serves as a broad market indicator for the gold industry. The chart below shows that the index is currently significantly lower than highs experienced in 2011 -12 and is also significantly lower than that of the All-Ordinaries index or the Metals and Mining Industry index generally. This indicates that as a sector, the gold industry is presently generally less attractive to investors. Anecdotally we are aware that this decline has been most significant in the junior miners sector (explorers) with many companies showing low levels of active trading and difficulties in raising capital.

Chart 2 – Historical Share Price performance – ASX listed securities



Source: S&P Dow Jones Indices – 31-Mar-15 monthly report

10. BASIS OF ASSESSMENT OF THE PROPOSAL

97. In assessing whether the Proposal is fair and reasonable from the perspective of CUU Shareholders, we have had regard to the criteria set out in RG111, RG170 and APES 225.

98. The following factors have been considered in our evaluation of the advantages and disadvantages to CUU Shareholders:

- The fair value of CUU Shares Pre-Proposal and the fair value of CUU Share Post-Proposal;
- Whether the Proposal brings about a change of control of CUU and if a control premium is received;
- The alternatives available to CUU if the Proposal does not proceed;
- Other qualitative advantages and disadvantages of the Proposal to CUU; and
- Any other factors which may have a material impact.

99. The following sections set out details of our assessment of fairness (Section 11), whether a control premium is received (Section 12) and other qualitative aspects of the Proposal (Section 13).

11. ASSESSMENT OF FAIRNESS (QUANTITATIVE ASSESSMENT)

11.1 OVERVIEW

100. Section roadmap:

- Section 11.2 determines the value of CUU Shares Pre-Proposal
- Section 11.3 determines the value of CUU Shares Post-Proposal
- Section 11.4 summarises the financial impact of the Proposal

101. ASIC Regulatory Guide 111 outlines the appropriate methodologies a valuation expert should consider when valuing assets or securities. The use of different methodologies is however, dependent upon individual circumstances, the nature of the company and availability of information.

102. The following summarises the various methodologies we have considered:

Market Based	Business or equity is determined by reference to comparable market buy/sell transactions or quoted market prices (QMP) if the company is listed on an exchange.
Asset Based	Value is determined by reference to the sale or realisable proceed of individual assets or groups of assets in an entity
Income Based	Value is determined by reference to capitalised future maintainable earnings (CME) or discounted cash flows (DCF) derived by the business

We provide more details of the available valuation methodologies in Appendix B of this Report.

11.2 VALUE OF CUU SHARES PRE-PROPOSAL

103. In assessing the value of CUU, we considered all of the methodologies outlined in Section 11.1.

Market based – Quoted Market Price

104. Given that CUU is a listed company on the ASX, we have considered the quoted market price of CUU shares as a method for determining the value of CUU shares, noting however that the quoted market value is reflective of a minority interest in the Company. We have analysed the CUU share price for the 7 months prior to announcement of the Proposal (being the period since announcement of the acquisition of the Ansongo Project). We have also provided commentary on the CUU share price since announcement of the Proposal.

105. The following chart shows trading in CUU's shares since the acquisition of the Ansongo Project:

Chart 3 – CUU share price and trade history

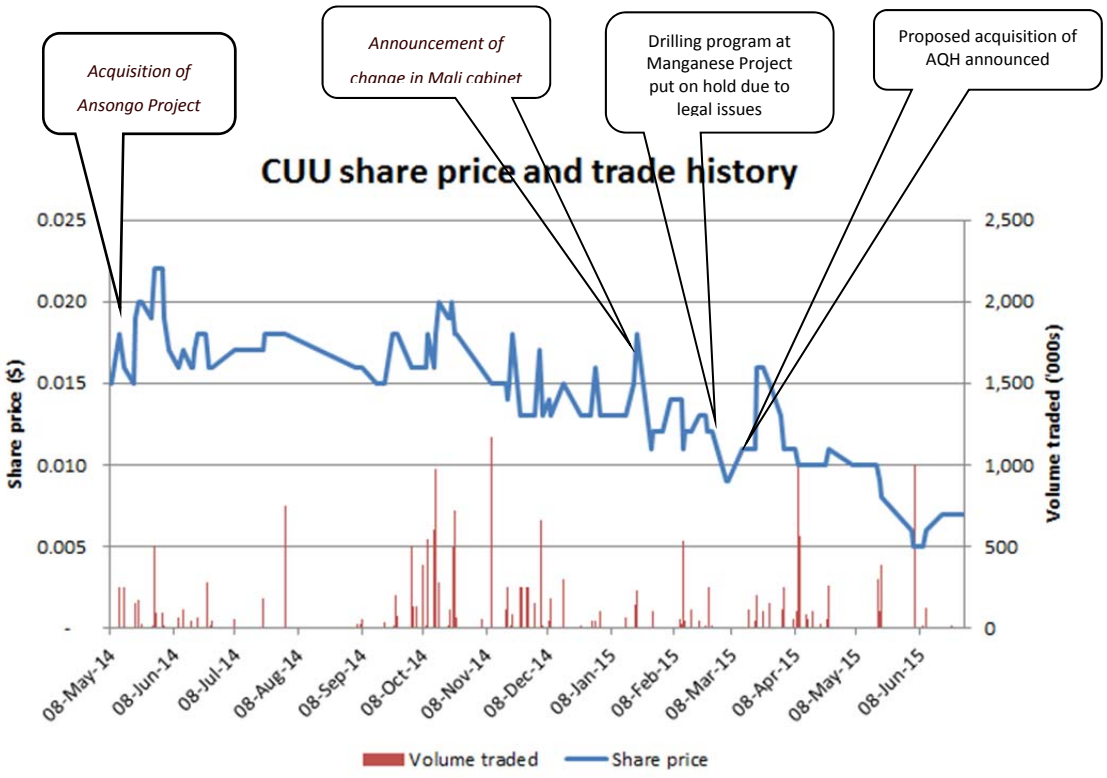


Table 8: CUU volume trading

Period	Post-announcement (approx. 5 mths)	1 mth post-announcement of Proposal	3 mths pre-announcement of Proposal	6 mths pre-announcement of Proposal
Total shares traded	8,871,840	2,672,008	2,156,599	11,153,156
As % of total issued capital	4.81%	1.45%	1.33%	8.05%
Price (cents)				
High	1.6	1.6	1.8	2.0
Low	0.5	1.0	0.9	0.9
Total value of trades ($)	$84,799	$30,161	$28,617	$176,076
VWAP (cents)	1.0	1.1	1.3	1.6

106. The chart and table above shows the price of CUU Shares has fluctuated between 0.5 cents and 2.2 cents over the last 15 months since announcement of the Ansongo Project, with a downward trend over this period. The peak price of 2.2 cents was recorded at the end of May 2014, one month after acquisition of the Ansongo Project. The Company announced on 19 January 2015 that the Mali Government had appointed a new cabinet – CUU shares dropped from 1.8 cents per share to 1.1 cents per share one week following this announcement.

107. Following announcement of the proposed Acquisition of AQH, the share price briefly increased to 1.6 cents per share before declining to the pre-announcement price of 1.1 cents per share, where it remained for a month. There has been some trading in the last month with the share price dropping to a current price of 0.8 cents per share, with the last trade occurring on 6 August 2015.

108. The majority of trading in the period pre and post announcement of the Proposal on 12 March 2015 has been between 1.0 and 1.3 cents per share, with approximately 6% of total weighted issued capital traded (approximately a 8 month period), showing that trading is consistently limited both pre and post announcement of the Proposal.

109. RG 111.69 states that an expert should consider "*the quoted price for listed securities, where there is a liquid and active market*".

110. In our view liquidity is represented (amongst other factors) by 25-50% of the total number of shares being traded over the course of a year, or about 0.5%-1.0% per week. The trading activity exhibits characteristics of a very thinly traded stock below these amounts and therefore does not form an adequate basis for reliance in our assessment of a meaningful or liquid value of CUU as a whole. Therefore we have not relied upon the current implied market capitalisation of circa $1.48 million (as at 11 August 2015) in our analysis.

111. We have also considered the price at which the most recent shares have been issued, shown in Table 9 below.

Table 9: CUU recent capital raisings

Date	Issue price (cents)	No. of shares	Amount raised	Notes
17-Jun-14	3.0 cents	6,000,000	$180,000	One month after acquisition of Ansongo Project. Exercise of unlisted options by directors to provide working capital for that project.
4-Nov-14	1.5 cents	25,166,667	$377,500	Share purchase plan. To provide working capital and funding for Ansongo Project.
9-Dec-14	-	4,000,000	Nil	Shares issued to directors in lieu of director's fees
5-Feb-15	1.5 cents	4,171,347	Nil	Shares issued in lieu of payment obligations for Ansongo Project
5-Feb-15	1.3 cents	40,615,385	$528,000	Placement. To provide working capital and funding for Ansongo Project.

112. Table 9 above shows that share have been issued at decreasing prices, reflective of the underlying circumstances surrounding the Ansongo Project. Given the lack of share trading and the special circumstances surrounding each of the shares issues, we are of the opinion that a market based methodology does not provide a reasonable basis for valuing CUU Shares.

Income based

113. We are also unable to provide a valuation based on either the CME or DCF methodology, given the Company has not prepared any budgets or forecasts given the current lack of any business operations.

Asset based

114. We have therefore determined the most appropriate methodology to assess CUU Shares on a control basis, as required by ASIC RG111, is using the net asset value (NAV) methodology on a going concern basis. Under the going concern basis, an asset based valuation will estimate the value of net assets at its fair market value and will not account for realisation costs. This method involves making any necessary adjustments required to reflect the fair market value of the net assets of the business.

115. In our assessment of the value of CUU Shares pre-Proposal, we have considered the value of the net assets and liabilities of CUU based on unaudited accounts as at 31 May 2015 (refer Table 5).

116. We have not ascribed any value to the Ansongo Project in our assessment of adjusted NAV. Whilst the ASX announcement on 17 June 2015 indicated a favourable decision for CUU in respect of the Ansongo Project, the practical implications are such that there is still significant uncertainty over CUU's future involvement in the project given that a) future negotiations are required with their joint venture partner about levels of involvement and contributions; and b) any continuing involvement in the project will require further capital expenditure to be contributed by CUU in order to earn its share of the project. Given the current financial position of the Company, it will be unable to contribute funds to the project without further capital raisings. Furthermore, the Directors of the Company have advised us that they will not use any proceeds in the proposed Capital Raising to enhance the value of the Ansongo Project.

117. We therefore consider all these assets and liabilities to be reflective of fair value and therefore no adjustments are required to this balance sheet. Based on unaudited accounts as at 31 May 2015 the Company has net assets of $0.17 million.

118. We have also considered the following transactions (and their effect on the NAV of CUU) which have already occurred or are likely to occur from 31 May 2015 to 31 October 2015, being the proposed transaction date:

Table 10: Adjusted Pre-Proposal NAV

	Amount ($'000s)	Further details
NAV as at 31 May 2015	172	Per balance sheet in Table 5
Ongoing costs	(110)	Based on the budget provided by CUU management, there are estimated ongoing accrued

	Amount ($'000s)	Further details
		costs (not including costs in relation to the Proposal) for the 5 months up until transaction date to be approximately $110k
Costs in relation to Proposal	(208)	Total estimated costs in relation to the Proposal not yet recorded in CUU accounts up to 31 May 2015 total $208k. These are costs which will be incurred regardless of the outcome of the Proposal i.e.; legal fees, expert report fees, NOM printing fees etc.
Reimbursement of expenses	50	According to the Term Sheet, AQH will reimburse CUU for up to $50k of these fees if the transaction does not proceed, which we have deducted from the total estimate of costs.
Adjusted Pre-Proposal NAV	**(96)**	

119. Table 10 above shows the adjusted net asset value of CUU Pre-Proposal to be estimated as a net deficiency of ($96k). We consider that in this instance due to the quantum of costs to be incurred and the current net asset position of CUU, it is possible that CUU will not be able to meet all its creditor obligations.

120. We have made an adjustment for the intangible asset value of maintaining an active listing on the ASX. We consider this reasonable in circumstances where a company has no significant business operations and / or assets other than its listing status. We consider this to be applicable to CUU for the reasons outlined in Section 7.

121. In our experience such "shell" companies listed on the ASX have some value derived from the required effort and associated costs of listing and obtaining the requisite shareholder spread. It is not uncommon for "clean" shell companies to be traded at a positive value in excess of its net tangible assets for this purpose. A clean shell is one that is without significant liabilities or litigation, the requisite shareholder spread and marketable parcels and non-hostile Directors.

122. There is currently no reliable market data on the value of a "shell", with anecdotal evidence suggesting this to be in the vicinity of $0.5-1.0 million. This is often dependent upon a number of factors including the status of trading of the shares (quoted vs. suspended) the makeup of the share register and if major recapitalisation and other activities are required for the shares to recommence trading.

123. Without any reliable market data, we consider the intangible value of a shell to be *at least* equal to the typical costs (i.e. cost of reproduction) for establishing a new ASX listed entity, which we estimate to be approximately $0.4 million, represented by advisor, prospectus and regulatory fees but exclusive of capital raising fees:

Table 11: Estimated listing costs

Cost item	$'000's
Legal fees	100
Investigating Accountant's Report	20
Prospectus costs	30
Fees to corporate advisors and brokers, ASX listing fees, registry fees and other*	250
TOTAL	**400**

* based on a capital raising of approximately $5m raise and achieving a 500 shareholders spread for a compliance listing.

124. We therefore consider the intrinsic control value of CUU Pre-Proposal (inclusive of an intangible value representative of its listing status) to be **$0.3 million or 1.65 cents per share** based on 18,450,050 post-consolidation shares (refer Table 3).

125. We note that the assessed valuation of $0.3 million is at a discount to the current market capitalisation of $1.48 million (as at 11 August 2015). As noted in paragraph 110 CUU's shares are thinly traded and we do not consider the Quoted Market Price approach a reasonable basis of value for the purposes of our assessment of the Proposal.

11.3 VALUE OF CUU SHARES POST-PROPOSAL

126. In valuing CUU Shares post-Proposal, because the Acquisition and the Capital Raising are interdependencies, we consider the value to be a derived from the sum of the following:
- The value of CUU pre-Proposal (exclusive of the intangible value of its listing status);
- The value of CUU's acquired interest in 100% of the issued capital of AQH which includes the value of the Project as provided by AMC; and
- Any amounts raised under the Capital Raising, less transaction costs.

127. We consider that the value of CUU shares post-Proposal should not include the intangible value of its listing status as it would no longer be considered a shell company, due to acquisition of the Projects and operations of AQH.

Value of AQH acquired

128. Given that much of the value of the AQH is based on its Projects, we have relied upon AMC's expert opinion on the technical value of those Projects.

129. We have therefore considered the NAV methodology for AQH adjusted to include the technical value of the Projects on the basis of AMC's valuation as per Table 12:

Table 12: Pro-forma net asset value of Alice Queen Holding Pty Ltd

	Note	Low $AUD'000s	Preferred $AUD'000s	High $AUD'000s
NAV as at 31 March 2015	a)	305	305	305
Adjustment 1	b)	(140)	(140)	(140)
Adjustment 2	c)	(144)	(144)	(144)
AMC's valuation of Projects	d)	1,500	2,000	2,500
Adjusted NAV of AQH		**1,521**	**2,021**	**2,521**

130. Notes describing the pro-forma adjustments to the above are as follows:

a) NAV taken from Table 7 being the reported values in the audit reviewed accounts of AQH as at 31 March 15;

b) $140k adjustment to net asset for the estimated impact on net assets for operating transactions between 31 March 15 and the likely acquisition date of 31 October 2015;

c) $144k adjustment to deduct capitalised development costs and PP&E as these are included in the estimate of value of the project;

d) As per AMC's independent valuation of the AQH Projects, attached as Appendix E. We note that AMC stated the values in their report to two significant figures. For example the preferred value is stated as $2.0 million. For the sake of simplicity and consistency with other numbers presented in our Report we have presented AMC's values to 4 significant figures, (e.g. for the preferred value as $2,000 thousands or $2.000 millions). Whilst AMC's preferred value of $2.0m could represent a range of values from $1.950 million to $2.050 million when presented to four significant figures, either of these amounts do not change our overall opinion on the Proposal.

131. Based on the above, we conclude that the AQH will have an estimated adjusted NAV of between $1.521 million to $2.521 million, with a preferred value of $2.021 million on the date of the Acquisition.

Summary of AMC's valuation of the Project

132. Included in Appendix E is an Independent Technical Specialist Valuation Report on CUU's equity interest in the Projects. AMC is of the opinion that CUU 84.5% interest in the Horn Island Project and 90% interest in the Looking Glass Project is valued in the range of $1.5 million to $2.5 million, with a preferred value of $2.0 million.

133. AMC considers that *"valuation using estimates of NPV from the previous mine feasibility study would not provide sufficient basis to form a production case, since the ASX Listing Rules preclude the issue of a public report containing a production target that is based solely or partly on historical estimates of mineralisation (ASX Listing Rule 5.18)".* AMC has therefore based their valuation on three main exploration valuation methodologies: the use of resource and unit area yardstick values based on comparable transactions, and an estimate of the replacement cost of current exploration information.

134. AMC's assessment of appropriate resource yardstick for the Horn Island Project was drawn from a set of 50 comparable transactions in Australia that occurred between 2012 and 2015, from which a smaller number of transactions with either historic resources or low-confidence Mineral Resources were selected. The transactions selected were also at the lower end of the range of values of comparable transactions. AMC selected both a resource yardstick of $5 per ounce to $10 per ounce to reflect the uncertain nature of the historic resource, as well as unit area yardstick of between $8,310 per km2 to $27,000 per km2. AMC also viewed the Horn Island Project as an "Advanced Exploration Area" (VALMIN, 2005) and determined a valuation for this project based on an assessment of the estimated replacement cost of current exploration information. This includes the cost of redrilling drill holes, re-assaying samples, and other project costs to collect and reconstruct detailed geological, geophysical and metallurgical information over the project area.

135. The Looking Glass Project has been assessed to be at an early stage of exploration with no conceptual targets, no known targeted drillholes and no existing mineral resources. AMC considers the project to be of "*low-to-moderate prospectively for mineralisation*" and applied a unit area yardstick of between $1,100 per km2 to $1,899 per km2. A further methodology AMC adopted was to use a Past Exploration Expenditure method by applying a prospectively enhancement multiplier of between 1.0 and 2.5 to past expenditure. This method was not applied to the Horn Island Project since there has been restricted access to the project for over 25 years and as a result prior expenditure costs are out of date.

Capital Raising

136. Completion of the Acquisition is conditional upon CUU completing a capital raising of $3.5 million.

137. As highlighted at paragraph 11, Henslow has been mandated by the Company to provide corporate advisory and capital raising services in respect of the Capital Raising. The fees dependent upon the success of the Capital Raising include the following:

- Capital raising fee of 6% of gross proceeds raised in the Capital Raising, or an estimated $210k based on the full $3.5 million raised
- A listing success fee of $60k (total fee $95k less retainer of $35k prior to completion of the transaction)

All costs in this report have been reported net of GST due to the assumption that all GST would be recoverable, however, GST legislation precludes the recovery of part (or all) GST associated with the provision of a financial supply under various circumstances such as potential M&A deals[5]. The total estimated cost of the Henslow fees condition on the Proposal, inclusive of non-recoverable GST is $277k.

138. The Company also announced on 27 April 2015 that it had received an ASX determination that listing rules 11.1.2 and 11.1.3 apply to the Proposal and that the Company would need to re-comply with ASX

[5] See ATO ruling GST 2002/2

listing rules chapters 1 and 2. Estimates for the ASX re-instatement fee is $77k (inclusive of non-recoverable GST).

139. We summarise the net cash raised from the Capital Raising in the following table:

Table 13: Net cash raised from Capital Raising

$'000s	Capital Raising
Funds raised	3,500
Henslow fees (inclusive of non-recoverable GST)	(277)
ASX re-instatement fee (inclusive of non-recoverable GST)	(77)
Net cash raised	**3,146**

140. In our assessment of the Proposal we have therefore increased the net asset position of CUU post-Proposal to reflect the cash raised, net of transaction costs.

Discount for minority interest

141. Completion of the Proposal will result in CUU Shareholders being diluted from 100% control of the Company to approximately 9.57%, thus holding a minority or portfolio interest in the Company. Our assessment of the value of CUU Shares post-Proposal is therefore valued on a minority basis and a minority interest discount should be applied to the control value of the Company post-Proposal

142. A minority interest discount is the inverse of a premium for control and is calculated using the formula $1-(1/(1+control\ premium))$. Based upon empirical studies conducted by RSM Bird Cameron on successful takeover offers and schemes of arrangement completed between 2012 and 2013 for companies listed on the ASX, the indicative control premiums are typically within a mean range of 25-35%[6]. This implies a minority interest discount of between 20-26%.

143. Given that CUU Shareholders will be diluted from 100% to approximately 9.57% we have elected to apply the maximum discount of 26%.

Valuation of CUU Shares post-Proposal

144. We summarise the valuation of CUU Shares post-Proposal in Table 14 below:

Table 14: Summary of CUU Post-Proposal value

$'000s	Low	Preferred	High
CUU Pre-Proposal value (refer para 124)	304	304	304
Less intangible value (no longer considered a shell)	(400)	(400)	(400)
AQH reimbursement now incurred	(50)	(50)	(50)
NAV of AQH (refer Table 12)	1,521	2,021	2,521

[6] RSM Bird Cameron Control Premium Study, 2013

$'000s	Low	Preferred	High
Net funds raised under Capital Raising (refer Table 13)	3,146	3,146	3,146
Post-Proposal CUU value (control value)	**4,521**	**5,021**	**5,521**
Minority discount	26%	26%	26%
Post-Proposal CUU value (minority value)	**3,346**	**3,716**	**4,086**
No. of Post-Proposal Shares (refer Table 1) ('000s)	192,787	192,787	192,787
Post-Proposal value (minority value) (cents per share)	**1.74**	**1.93**	**2.12**

145. We note from table 14 above that the adjusted net asset value of CUU Pre-Proposal includes $50k of reimbursements from AQH for costs incurred if the Proposal does not occur. We therefore make an adjustment to include these expenses when determining a value of CUU Post-Proposal.

146. Based on the values therein, we assess the value of CUU shares post-Proposal to be between 1.74 and 2.12 cents per share, with a preferred value of 1.93 cents per share, on a minority interest basis.

11.4 SUMMARY OF FINANCIAL IMPACT OF THE PROPOSAL ON CUU SHAREHOLDERS

147. The following Table summarises the financial impact of the Proposal on CUU Shareholders:

Table 15: Summary of Proposal on CUU Shareholders

Cents per share	Low	Preferred	High
Value of CUU Shares pre-Proposal (control value)	1.65	1.65	1.65
Value of CUU Shares post-Proposal (minority value)	1.74	1.93	2.12
Value accretion / (dilution)	**0.09**	**0.28**	**0.47**

148. Based upon our forgoing analysis, when considered as a control transaction as required by ASIC guidelines RG111, at the preferred and high valuation of AQH Projects, the Proposal is likely to be accretive in the value of CUU Shareholder interests in the Company. However, at the low valuation there is likely to be a slight dilution in the value of CUU Shareholder interests in the Company.

149. We are therefore of the opinion that the Proposal, based on the preferred valuation, is **fair to CUU Shareholders**.

12. ASSESSMENT OF CONTROL PREMIUM

150. RG 111.24 highlights that in certain circumstances an issue of shares by a company otherwise prohibited under s606 may be approved under item 7 of s611 and the effect on the company's shareholding is comparable to a takeover bid. The Proposal meets the criteria of those circumstances and accordingly compliance with RG111 thus requires that the Proposal be analysed as if it were a takeover bid under Chapter 6 of the Act[7].

151. RG111.43 further states that "*a specific issue the expert should determine is whether the vendor is to receive a premium for control*." An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

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

152. Whilst the Vendors will not be obtaining 100% of CUU, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. If the Proposal is approved, control of the Company will pass from CUU Shareholders to the Vendors.

153. For a control premium to be received, the value of CUU Shares post-Proposal valued on a minority basis should at least be equal to or greater than the pre-Proposal value of CUU Shares on a control basis. Given there is an accretion in value per Table 15 above, we conclude that there is a control premium being received by the CUU Shareholders. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

13. ASSESSMENT OF REASONABLENESS (QUALITATIVE ASSESSMENT)

154. In assessing if the Proposal is reasonable of CUU Shareholders, we have had regard to the following:

Advantages of the Proposal	▪ The Proposal is fair at the preferred and high range of valuations ▪ The Proposal will improve the financial position of CUU and provide funds for working capital ▪ The Proposal may give rise to potential re-pricing of CUU Shares and the opportunity for liquidity of CUU Shares. There is limited liquidity at present and CUU Shares have been trading between 0.5 cents and 2.2 cents for the last 13 months.

[7] RG 111 paragraph 25

	▪ The Proposal is the only offer capable of acceptance at present and there is an absence of alternative offers. ▪ CUU Shareholders are receiving a premium for loss of control.
Disadvantages of the Proposal	▪ The Proposal is unfair at the low range of valuation ▪ Existing CUU Shareholders interests will be significantly diluted from 100% to 9.57% post-Proposal and AQH Vendors, board and management will assume effective control of CUU ▪ The Proposal will result in CUU undertaking a different business to its previous operations and this change in business and change in risk profile (if any) may not suit CUU Shareholders. An outline of various company / industry and general risks associated with the Acquisition of AQH is outlined in the Notice of Meeting ▪ The development of the AQH Projects will require further funding which may be dilutive to shareholders. This includes a requirement to spend an aggregate of approximately $4.7 million over the first 3 years and approximately $16.9 million within 5 years as a condition of the exploration licenses (assuming EPM 25418 is granted).
If the Proposal is NOT approved	▪ The Directors have advised us that they will seek to renegotiate with their joint venture partners to reach a revised acceptable solution for the pursuit of the Ansongo Project, where all operations have stalled for the last 5 months. Even if the Directors decide to continue with the Ansongo Project, the Company is likely to lack sufficient funds to pursue further exploration. Development of the project for the benefit of CUU would likely require a significant capital raising which may be more dilutive the CUU Shareholders than the Proposal ▪ Given the lack of alternative offers, the costs likely to be incurred up to the transaction date and in the absence of short-term working capital funding, CUU are likely to require further funds to the further detriment of net assets or shareholder dilution.

155. In our opinion the position of CUU Shareholders is more advantageous post-Proposal than pre Proposal, and therefore the Proposal is reasonable to CUU Shareholders.

14. OPINION ON THE PROPOSAL

156. On the basis of our analysis, and for the reasons outlined in the preceding sections, we consider that the Proposal is **fair and reasonable** to CUU Shareholders.

APPENDIX A

Statement of Qualifications, Independence, Declarations and Consents

Qualifications

Nexia Australia is a national association of separate partnerships and entities (including Nexia Melbourne Pty Ltd) and a member of an international network of individual firms. Nexia Melbourne Pty Ltd (ACN 052 362 348) ("Nexia") is a Melbourne based accounting, audit and business advisory practice and is a licensed investment adviser within the terms of the Corporations Act 2001. The AFSL licence (No 247262) allows Nexia to act for clients only in the capacity of providing reports in relation to certain corporate transactions or to provide general financial product advice on certain classes of financial products. Senior directors at Nexia specialise in such advice and regularly perform corporate and asset valuations and advice on company restructures, acquisitions and proposals. Nexia, acting through different directors also performs audits on the accounts of Australian companies.

The primary person responsible for preparing this Report on behalf of Nexia is Gary Graco (Dip. Bus Studies – Accounting, ACA) with the assistance of staff, who has a significant number of years of experience in relevant corporate matters including valuations, independent expert reports and investigating accountant engagements.

Independence

Nexia considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC relating to independence of experts and has developed and issued an opinion and report on an unbiased basis.

Nexia and its related entities or any of its Directors or Partners have not had within the previous two years, any shareholding in the Company. During the 2 years period to this report Nexia and its related entities have not provided any professional services to the Company or any subsidiaries or AQH except as described below:

- Nexia has consented to providing an Investigating Accountants report of forecast financial information (limited to a pro-forma statement of financial position) for inclusion in the Prospectus relating to the Capital Raising by the Company. Nexia will be entitled to professional fees of approximately $6,000 in relation to the conduct of the IAR engagement.

None of Nexia, Gary Graco, nor any other member, director, partner or employee of any of Nexia has any interest in the opinion reached by Nexia except that we are entitled to receive professional fees for the completion of this Report based on time incurred at normal professional rates. Nexia expects that professional fees rendered in respect to the preparation of this Report will be approximately $23,000 (plus GST). With the exception of these fees no parties will receive any other benefits, whether directly or indirectly, for or in connection with issuing this Report.

Disclaimers

This Report has been prepared at the request of the Directors of the Company and was not prepared for any other purpose than stated in this Report in Section 2. This Report has been prepared for the sole benefit of the Directors and the Non-associated Shareholders of the Company. This Report should not be used or relied upon for any purpose other than as set out in Section 2. Accordingly, Nexia expressly disclaims any liability to any person (other than the Directors or Non-associated Shareholders of the Company) who relies on our Report, or to any person at all who seeks to rely on the Report for any other purpose not set out in Section 2.

Appendix C identifies the sources of information upon which this Report has been based. Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions that may or may not occur. Accordingly Nexia cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. Whilst (unless stated otherwise in the Report) Nexia has no reason to believe that such information is not reliable and accurate, it has not caused such information to be independently verified or audited in any way. Inquiry, analysis and review have brought nothing to our attention to indicate a material misstatement, omission or lack of reasonable grounds upon which to base our opinion.

The opinions given by Nexia in this Report are given in good faith, based upon our consideration and assessment of information provided to us by the Directors and executives of the parties to the Proposal; and in the belief on reasonable grounds that such statements and opinions are correct and not misleading, (unless otherwise stated in the Report). This Report has been prepared with care and diligence.

Advanced drafts of this Report were provided to the Directors of the Company. Minor changes for factual content were made to this Report. There was no alteration to the methodology or conclusions reached as a result of discussions related to drafts of the Report.

Nexia's opinion is based on prevailing conditions at the date of this Report including market, economic and other relevant circumstances. These can change over relatively short time period and any subsequent changes in these conditions in the value either positively or negatively.

Indemnity

The Company has agreed that it will indemnify Nexia and its employees and officers in respect to any or all losses, claims, damages and liabilities arising as a result of or in connection with the preparation of this Report, except where the claim has arisen as a result of wilful misconduct or negligence by Nexia.

Consent

This Report has been prepared at the request of the Company and may accompany the Notice of Meeting to be given to shareholders.

Nexia consents to the issuing of this Report and the form and context to which it is to be included with the Notice of Meeting. Other than the Report, Nexia has not been involved in the preparation of the documents or other aspects of the Proposal or the Notice of Meeting to which this Report may be attached. Accordingly, we take no responsibility for the content of the Notice of Meeting or the Proposal as a whole. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without prior written consent of Nexia as to the form and context to which it appears.

APPENDIX B

Overview of Valuation Methodologies

Discounted Cash Flow Based Analysis (DCF)

This methodology recognises the present value (or today's dollar value) of the expected net cash flows which are forecast to be derived from future activities of the business and including a terminal value, which seeks to value the cash flows to perpetuity reflecting the ongoing life cycle of the business.

These future cash flows are discounted to current values by a discount rate recognising both the time value of money and the risks associated with the cash flow streams. Those risks can include general economic and sector risks and risks particular to the business.

This methodology is normally considered to be the most appropriate method in the calculation of the value where there is adequate information about likely future cash flows, usually over a finite term and in start up activities or assets with a finite life.

Capitalisation of Maintainable Earnings (CME)

This requires consideration of the following factors.

(a) Estimation of future maintainable earnings. The maintainable level of earnings is considered to be the level below which, in the absence of unforeseen and exceptional circumstances, the income stream flowing from the assets is unlikely to fall. Maintainable earnings can be influenced by a number of factors including the trend and consistency of historical performance, the stage of development of the business sensitivity to key industry risk factors and the general economic outlook, and the extent to which one-off or non-recurring transactions are reflected in the financial records ; and

(b) Determination of an appropriate capitalisation rate which will reflect a purchaser's required rate of return from the business. It should therefore reflect among other things:

- the operational risks of the business;
- the growth profile of the business;
- the working and long-term capital requirements of the business currently and requirement for funding growth;
- the nature of the environment in which the business operates;
- alternative investment opportunities; and
- a separate assessment of surplus or unrelated assets and liabilities, being those items which are not essential to producing the estimated future earnings.

This methodology is generally recognised as a surrogate for a discounted cash flow analysis (DCF). It is typically employed where an entity or asset has mature operations with a history of profits and an expectation that these will be maintained at similar levels in the future. It is considered a reliable methodology particularly where capital expenditure does not constitute a large part of the cash outflows of the business or where such outflows are generally of a replacement nature.

Comparable Market Transactions

This methodology requires research to ascertain details of any comparable transactions in the same industry for a similar entity to that being valued. If such transactions exist and the entity being valued is directly comparable to that being acquired then the assets, revenue or earnings multiples, or other measures employed in the actual transaction, can be utilised in the valuation.

The difficulty with this methodology is the sourcing of sufficient information involving the sale process to accurately analyse the consideration paid and to establish the comparability of the two businesses or entities.

Net Assets (NAV) or Cost Based

In the absence of positive or very poor cash flows or earnings, the net asset value of an entity can be a reasonable indication of the minimum value for that entity. This involves the determination of the net realisable value of the assets of the business or company assuming an orderly realisation of those assets. This value includes a reduction in value to allow for the reasonable costs of carrying out the sale of assets and for the time value of money. It is not a valuation on the basis of a forced sale, where the assets might be sold at values materially different from their fair market value. In the absence of an observable market for the asset, a cost based approach is sometimes adopted to derive value. Cost based approaches include replacement cost or reproduction costs based approaches.

This approach is appropriate where the business or entity concerned is predominately a property or liquid investment entity, is not generating adequate returns and in certain circumstances where there are surplus non-operating assets.

APPENDIX C

Documents and Information Relied Upon

1. Draft Notice of Meeting and Explanatory Memorandum dated 24 July 2015.
2. CUU May 2015 YTD management accounts and June 2014 audited accounts
3. AQH June 2014 audited accounts and March 15 audit reviewed accounts
4. AMC's Independent Technical Specialist report prepared by Ms Alison Keogh (MAusIMM (CP)) of AMC Consultants Pty Ltd dated 7 July 2015
5. Independent Geologist Report prepared by Mr Mark Arundell (M Eco Geol, MAIG) of H&SC Consultants Pty Ltd dated June 2015
6. Discussions and correspondences with CUU and AQH management and advisors
7. www.asx.com.au; S&P CapIQ; and various other websites and public domain information services.

APPENDIX D

Geologist Report

H&SC H&S CONSULTANTS Pty. Ltd.

RESOURCE ESTIMATION | FEASIBILITY STUDIES | DUE DILIGENCE RESOURCE SPECIALISTS TO THE MINERALS INDUSTRY

Independent Expert Report on Horn Island & Looking Glass Projects (EMP 25520 & EL 8225)

Queensland & New South Wales

Prepared for Callabonna Resources Ltd

by

H&S Consultants Pty Ltd

Project Code: 1503_02_CUU

Author: Mark Arundell, Associate Consulting Geologist, M Econ Geol, MAIG

Reviewer: Luke A Burlet, Director

June 2015

H&S CONSULTANTS Pty. Ltd. ABN 72 155 972 080 www.hsconsultants.net.au

6/3 Trelawney St, Eastwood, NSW 2122
P | +61 2 9858 3863
E | info@hsconsultants.net.au

Level 4, 46 Edward St, Brisbane, QLD 4000
P.O. Box 16116, City East, Brisbane, QLD 4002
P | +61 7 3012 9393

Unit 26, Hallmarc Business Park, Bayside
328 Reserve Road, Cheltenham, VIC 3192
M | 0400 017 583

Executive Summary

Callabonna Resources Ltd ("CUU" or "The Company") have entered into an agreement to purchase Alice Queen Holdings ("AQH"). The key assets of AQH are controlling interests in the Horn Island and Looking Glass Projects.

Horn Island Project

The Horn Island gold and mineral deposits are located on the NE side of Horn Island, Queensland in Torres Strait between Cape York and Papua New Guinea. Production began in 1894 when the alluvial gold deposit was discovered and by 1901 some 31 kg of gold were won from alluvial workings and 190 kg were recovered from 16 626 t of ore (11.4 g/t gold). Exploration in the 1980s located a resource which was put into production as an open cut gold mine but subsequently failed.

AQH have compiled historical exploration information and conducted a rock channel sampling program on exposed benches of the 1980's open cut.

An exploration program has been designed to drill test the depth extent of mineralisation under the open cut as well as follow up promising results from a number of other gold bearing reefs adjacent to the open cut.

A two year budget of $2.26M including $0.95M of drilling has been proposed

Looking Glass Project

The Looking Glass Project is located to the west of Coonabarabran in central New South Wales. A distinct magnetic anomaly has been identified under cover which is interpreted to be in a similar geological setting to that which hosts the giant Cadia Copper-Gold deposits.

AQH have compiled historical exploration information and conducted and interpreted an airborne magnetic survey in order to refine drill targeting of the Looking Glass magnetic anomaly

An exploration program has been designed to definitively drill test the Looking Glass magnetic anomaly.

A two year budget of $166,000 including $70,000 of drilling has been proposed.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES[1]

LIST OF APPENDICES

[1] Figures in this report annotated with "AQH" have been supplied by Alice Queen Holdings

1 Introduction

1.1 Terms of Reference

This Independent Expert's Report has been prepared by H&S Consultants (H&SC) at the request of the Directors of Callabonna Resources Ltd ("CUU" or "The Company"). CUU has entered into an agreement to purchase all the shares of Alice Queen Holdings ("AQH") the company which holds controlling interests in the Horn Island and Looking Glass Projects ("the Projects").

H&SC has not been requested to provide an Independent Valuation or detailed Risk Assessment. This report does not express an opinion regarding the value of mineral assets or tenements involved.

The report has been prepared in accordance with the Australian Securities and Investment Commission's (ASIC) Regulatory Guidelines 111 and 112 and follows the Valmin Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2005 Edition.

H&SC has provided its consent for the inclusion of this report, which will be included as a Competent Person's Report in Section 5 of the CUU Prospectus and for the inclusion of references to its name in other sections of the Prospectus in the form and context in which the report and those statements appear, and has not withdrawn that consent prior to issue. H&SC accepts responsibility for the Competent Person's Report for the purposes of the ASX listing. H&SC has taken all reasonable care to ensure that the information contained in this report is to the best of its knowledge in accordance with the facts and contains no omission likely to affect its import.

The purpose and scope of this report is to assess the technical information contained in the Prospectus, to independently review the sources of information and to make relevant comments on the integrity of that information and the work proposals contained therein.

Pursuant to the Prospectus, investors have the opportunity to subscribe to an offer of 63,638,364 new shares at a price of $0.055 per share to raise $3,500,000.00. The funds raised will be for the purpose of exploration and evaluation of the mineral properties and other things including administration and working capital.

1.2 Statement of Capability and Independence

CUU has commissioned H&SC to prepare this report. The author Mr. Mark Arundell is a consultant geologist with 29 years of experience in mineral exploration and evaluation of mineral projects. He has worked for several major mining companies, a number of junior exploration companies and as an independent consultant. Mr. Arundell has experience in many countries worldwide, including 12 years exploration for potash. His experience includes performing and assisting in exploration and resource studies for base metals, industrial minerals, uranium, iron ore, and gold projects.

Mr. Arundell is independent of CUU and AQH, has no equity interest in CUU or AQH or any of their projects, nor is entitled to any future interest in CUU and AQH nor their projects. Payment for services is based on standard professional fees that are not contingent on the outcome of the proposed capital raising.

1.3 Sources of Information

In respect to the sources of information H&SC is satisfied that CUU have made available copies of all relevant material it holds used in the preparation of the Prospectus. The Independent Expert's Report has been prepared on information available up to and including May 25, 2015. The conclusions expressed in this Report are therefore only valid for this date and may change with time in response to variations in economic, market, legal or political factors, in addition to on-going exploration results.

A site visit was made to the Horn Island Project by the author Mr. Arundell on 8-11 May 2015 guided by Mr J Holliday and Mr A Buxton[2]. A site visit was not made to the Looking Glass Project. Given the complete lack of outcrop, early stage of the exploration and the lack of samples to review it was considered by the author not necessary at this stage.

H&SC reviewed the license status of the Horn Island tenement by using the Queensland MinesOnlineMaps system on May 4, 2015 (see Figure 1). The tenement EPM 25520 appears to be in good standing. More detail on the tenement status is given in Section 2.1.2 Tenements below.

H&SC reviewed the license status of the Looking Glass tenement by using the New South Wales MINVIEW (NSW DTI-RE, 2014) system on May 4, 2015 (see Figure 21). The tenement appears to be in good standing. More detail on the tenement status is given in Section 3.1.2Tenements below.

Assessment of the geological concepts and project/prospect descriptions contained in this Prospectus are based on reports and data supplied by CUU, from H&SC's own observations and from public domain information sources. The statements contained in this report are based on that information and represent H&SC's independent assessment of the assets of the prospects that AQH hold.

1.3.1 Exploration Database

AQH has started to construct and collate an exploration database that includes data from government sources such as airborne geophysics, aerial imagery and large scale geological mapping, re-processing government airborne geophysical surveys, as well as historic exploration drilling data, historic rock and soil sampling, water bore data and geological mapping.

H&SC has sighted and used the Horn Island database, but has not validated the database and thus cannot comment on the veracity of the data; however H&SC has noted that, based

[2] Mr J Holliday, Exploration Director, Alice Queen Holdings and Mr A Burton, Managing Director, Alice Queen Holdings

on data seen, the work AQH has done on the database is of good quality and it is being reasonably managed considering that Projects' development. Issues with the data quality itself are discussed in Section 2.3.2.1.

The Looking Glass Project is an exploration project still in the early stages and the database has been assembled albeit limited due to the lack of information. However, H&SC has noted that, based on data seen, the work AQH has done on the database is of good quality and it is being reasonably managed. CUU & AQH do have plans to further develop their database systems in line with industry best practices, especially before the onset of more drilling or extensive surface sampling.

2 Horn Island Project

2.1 Project Overview

2.1.1 Location, Access and Infrastructure

The Horn Island Project (EPM 25520, covering ~81km^2) is located in Torres Strait approximately 800 km north-north-west of Cairns in Northern Queensland (Figure 1). AQH also have an application for a second tenement in the Torres Strait area – EPM 25418. At the time of preparation of this report, EPM 25418 was not granted.

Figure 1 : Horn Island – Project Location

The Horn Island Project is situated mainly within open tropical eucalypt woodland or forest and is well serviced by existing road and electricity infrastructures and both are accessible from nearby Thursday Island. Service facilities in the area are good and include, but are not limited to, heavy earth moving equipment contractors, mechanical and electrical service contractors, hospital, housing and an airport (Figure 2).

Figure 2 : Aerial view of Horn Island – Looking North

Old gold mine – bottom right; airport – centre right; water supply – centre; Thursday Island – top left (Photo : M. Arundell)

2.1.2 Tenements

2.1.2.1 Tenement License status

The Horn Island Project is covered by exploration permit EPM 25520 (Figure 1) and is held by Kauraru Gold Pty Ltd ("Kauraru"). Kauraru also has a tenement application – Kaiwalagal, EPM 25418 – located to the west of Horn Island. The tenements are managed by Alice Queen Holdings ("AQH") on behalf of Kauraru. Kauraru is owned 84.5% by AQH. There is a Deed of Confirmation in place between Kauraru, AQH and other parties confirming AQH will solely fund all costs of Kauraru related to the maintenance, exploration and development of the Horn Island Project to production. H&SC has sighted the Deed of Confirmation.

H&SC reviewed the license status of the tenements by using the Queensland MinesOnlineMaps system on May 4, 2015 (Figure 1 and Table 1). EPM 25520 appear to be in

good standing. This, and the meeting of current expenditure commitments, are noted in the Tenement Report to CUU on the tenement status (Section 8 of the Prospectus).

All of the Exploration permits are subject to annual rental and environment fees payable to the Queensland Department of Natural Resources and Mines and the Queensland Department of Environment and Heritage Protection; H&S has received confirmation by email from the author of the Tenement Report that all current annual fees and levies have been paid by AQH.

2.1.2.2 Native Title and Land Access Agreement

As noted in the Tenement Report (Section 8) for EPM 25520, the Kaurareg People, via its Registered Native Title Body Corporate (RNTBC) which is known as the Kaurareg Native Title Aboriginal Corporation (KNTAC) is the sole Native Title holder over the area of Horn Island (Ngurupai) above the high water mark. EPM 25520 was initially granted on 8 October 2014 with the standard Native Title Protection Conditions (NTPC's); subsequently however in January 2015, Kauraru Gold Pty Ltd and the KNTAC entered into a separate voluntary Exploration Agreement, pursuant to which both parties have agreed to comply with the terms of the Exploration Agreement in lieu of the NTPC's. H&SC has sighted the signed copy of this Exploration Agreement.

In terms of Land Access, Kauraru Gold has commenced negotiations with the Torres Shire Council, being the free hold owner of Lot 10, which comprises the abandoned mine site and its immediate surrounds for the implementation of a standard form Conduct and Compensation Agreement (CCA) which will enable the planned drilling program to commence. Prior to the execution of the proposed CCA, Kauraru Gold Pty Ltd has gained access to Lot 10 and Lot 186 (Torres Shire Council), Lot 4 and Lot 48 (KALT) and Lot 49 (Queensland Department of Natural Resources and Mines (DNRM) by serving on each of those land owners a standard Notice Of Entry (NOE) pursuant to the Queensland Regulations. A CCA is only required when the proposed activities may cause ground disturbance, which is relevant, at this stage, only to the proposed drilling on Lot 10.

TenID	Holder	Operator	Project	Status	Grant Date	Expenditure	Rent	Sub Blocks	Area (km²)
EPM 25520	KAURARU GOLD PTY LTD	ALICE QUEEN HOLDINGS PTY LIMITED	Horn Island	Granted	8/10/2014	$1,250,000	$3,774.40	24	81
*EPM 25418**	*KAURARU GOLD PTY LTD*	*ALICE QUEEN HOLDINGS PTY LIMITED*	*Kaiwalagal*	*Application*	*N/A*	*N/A*	*N/A*	*88*	*297*

Table 1 Summary of Horn Island tenement details

* EPM 25418 is under application

2.2 Geological Setting

2.2.1 Tectonic Setting

The following section is largely distilled from Champion & Bultitude (2013).

Intrusive and extrusive, predominantly felsic, magmatism throughout northern Queensland during the Carboniferous and Permian comprises the most widespread and voluminous magmatic event in the region (Figure 3). This magmatism is defined as the Kennedy Igneous Association.

The Jardine Subprovince of the Kennedy Igneous Association occupies the very northern part of eastern Queensland, forming two discrete outcrop areas in the northern Coen and Torres Strait (Horn Island) regions and extending into Papua New Guinea (Willmott et al. 1969; Figure 3). Interpreted subsurface extent of the Kennedy Igneous Association implies that these areas form part of a continuous belt of magmatism along the north-eastern Queensland coast. Intrusive (>1700 km^2) and extrusive (>400 km^2) magmatism occurs in both areas.

Magmatism in the Torres Strait region consists of high-level (miarolitic) granite (allanite-) hornblende-biotite granite and granodiorite as well as microgranite and aplite of the Badu Suite, and associated dominantly rhyolitic, allanite- and biotite-bearing volcanic rocks of the Torres Strait Volcanic Group (Willmott et al 1969, 1971, 1973; von Gnielinski 1996). Hornblende and rare pyroxene have been reported in the rhyolites, as well as some andesites (Willmott et al. 1969). Willmott et al. (1969) recorded locally common tonalitic to granodioritic enclaves in the Badu Suite granitoids.

The age of the extrusive and intrusive magmatism in both regions is uncertain. K-Ar ages (Richards & Willmott 1970; Richards, 1971) imply the magmatism was mainly Cisuralian, which is supported by a U- Pb zircon (SHRIMP) age for the Twin Humps Adamellite (Weymouth Supersuite) of 285 ±9 Ma (Black et al 1992a, 1992b). The volcanic rocks in both regions predate and are intruded, and at least locally hornfelsed, by the associated granitoids.

Mineralisation associated with the magmatism includes Au-base metal (e.g. Horn Island), W- base metal, Sn (lode and alluvial), Mo and Cu in the Torres Strait region (Willmott et al. 1971, 1973; Denaro 1997a, 1997b).

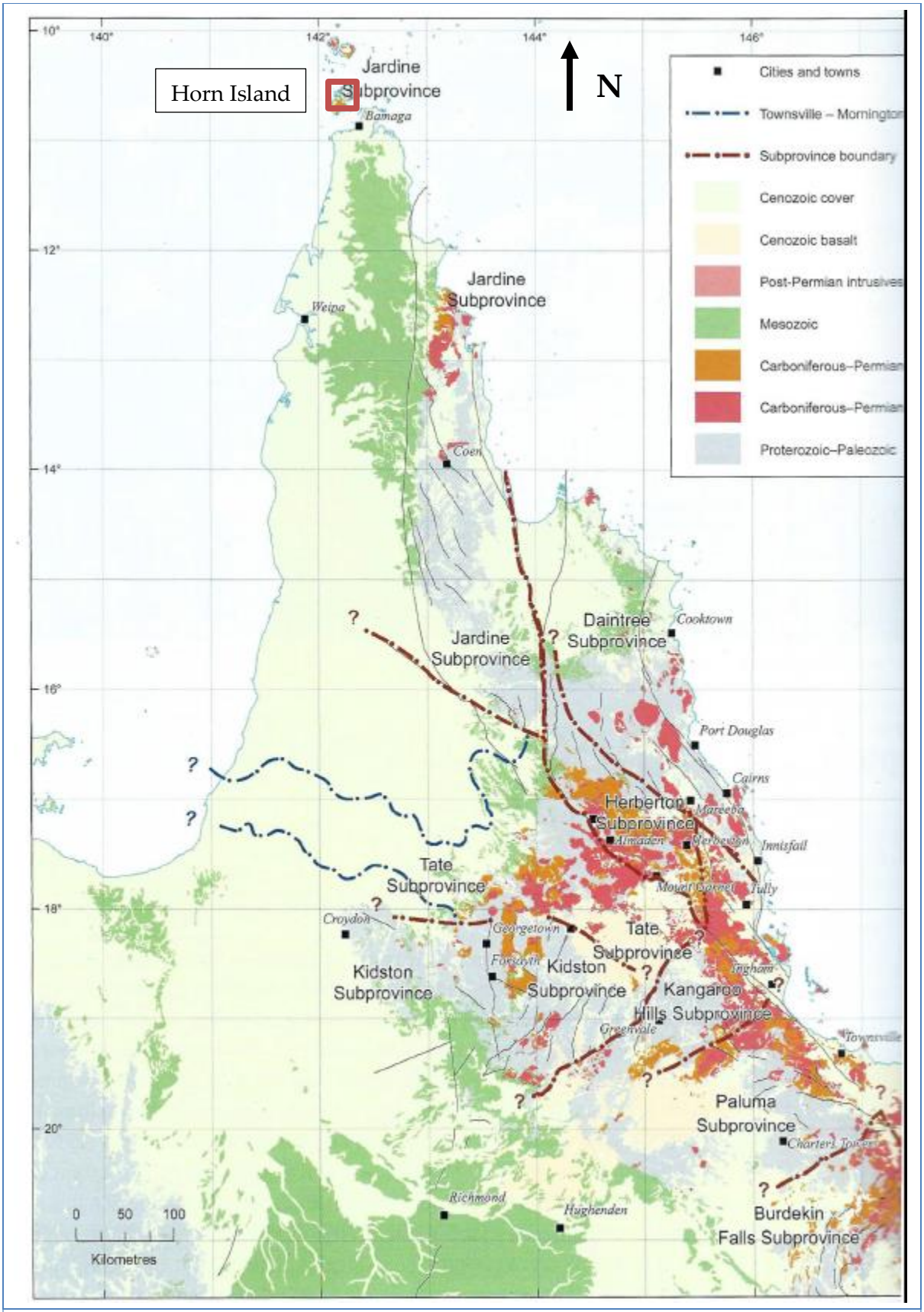


Figure 3 : Tectonic Setting of Horn Island
(after Champion & Bultitude 2013)

2.2.2 Regional Geology

The following section is taken from Kirk (1988).

The regional geology of the Torres Strait region is described by Willmott and Powell (1977) in the Explanatory Notes to the 1: 250,000 Torres Strait - Boigu - Daru Sheet (Figure 4).

Permian - Carboniferous acid volcanics and Late Carboniferous granites form a basement ridge, the Cape York - Oriomo Ridge, which trends north east across Torres Strait from Cape York to Papua New Guinea.

The Torres Strait Volcanics (Ct) consist of a considerable thickness of acid crystal-rich tuffs with minor agglomerate, rhyolite, andesite and interbedded sediments. Four separate members of the volcanics have been recognised in the southern part of Torres Strait, each composed of welded tuff sheets of similar composition; these are the Eborac Ignimbrite, the Endeavour Strait Ignimbrite, the Goods Island Ignimbrite and the Muralug Ignimbrite. Lithological differences suggest that these units originated from separate sources. The volcanics probably belong to the Early Permian to Middle Carboniferous acid volcanic province of North Queensland.

The Upper Carboniferous Badu Granite (Cub) is a high level granite which intrudes the Torres Strait Volcanics and forms the greater part of Badu Island and the northern part of Moa Island.

Porphyritic microgranite (Cup) forms several bodies on Mabuiag, Horn, Prince of Wales, Friday, Mount Apolphus Islands and the Tuesday Islets. It is thought to belong to the same intrusive event as the Badu Granite but probably is slightly younger. The microgranite on Horn Island (locally termed the Horn Island Granite) is grey and contains phenocrysts of albite, oligoclase and alkali feldspar to 25mm in grain size. Hornfelsed zones are present in the adjacent volcanics.

Sand and silt (TQs) cover lowland areas on the larger islands. Coastal alluvium (Qac) underlies swamps along the coast of many of the islands. Sand spits and sand flats (Qhb) fringe a number of the rocky islands where they form on coasts facing mainly west and north. Vegetated beach ridges (Qhm) are also found on many of the islands. Fringing coral reefs are commonly developed around the islands.

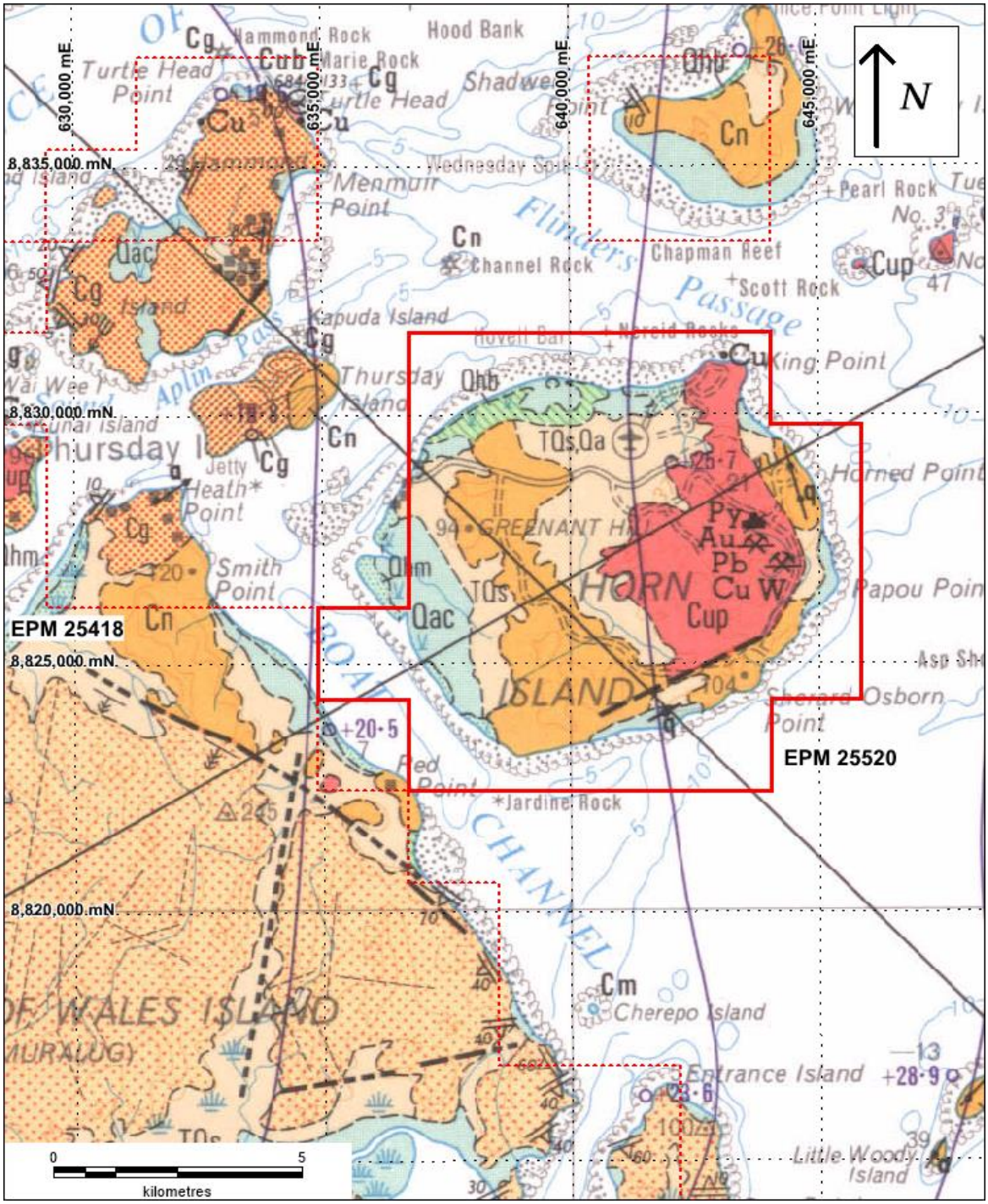


Figure 4 : Regional Geology of Horn Island

2.2.3 Project Geology

The following section is taken from Kirk (1988) and Levy & Storey (1990).

2.2.3.1 Geological Setting

The oldest Horn Island rock units are interpreted to be the Carboniferous Torres Strait Volcanics. They comprise rhyolitic welded tuff, ignimbrite and agglomerate, volcanic breccia and minor sediments. They have been interpreted to be intruded by the Upper

Carboniferous Badu Granite (Willmott et al., 1973), and a later post-mineralisation intermediate dyke suite of undetermined age.

The Horn Island gold deposit occurs on the eastern edge of a 4km wide composite granite stock (Figure 5). The dominant rock type is a coarsely porphyritic leucocratic granite which has been intruded by medium grained hornblende biotite granodiorite followed by felsic aplite phases. Quartz-sulphide-carbonate veins form gold and base metal lodes within the granitic rocks. A silicic, pyritic breccia transgresses the granitic rocks and lodes in the north-eastern portion of the deposit, and late stage porphyritic pyroxene-feldspar-quartz intermediate dykes (locally called andesites) have been intruded along an east trending fault zone at the centre of the deposit (Figure 6).

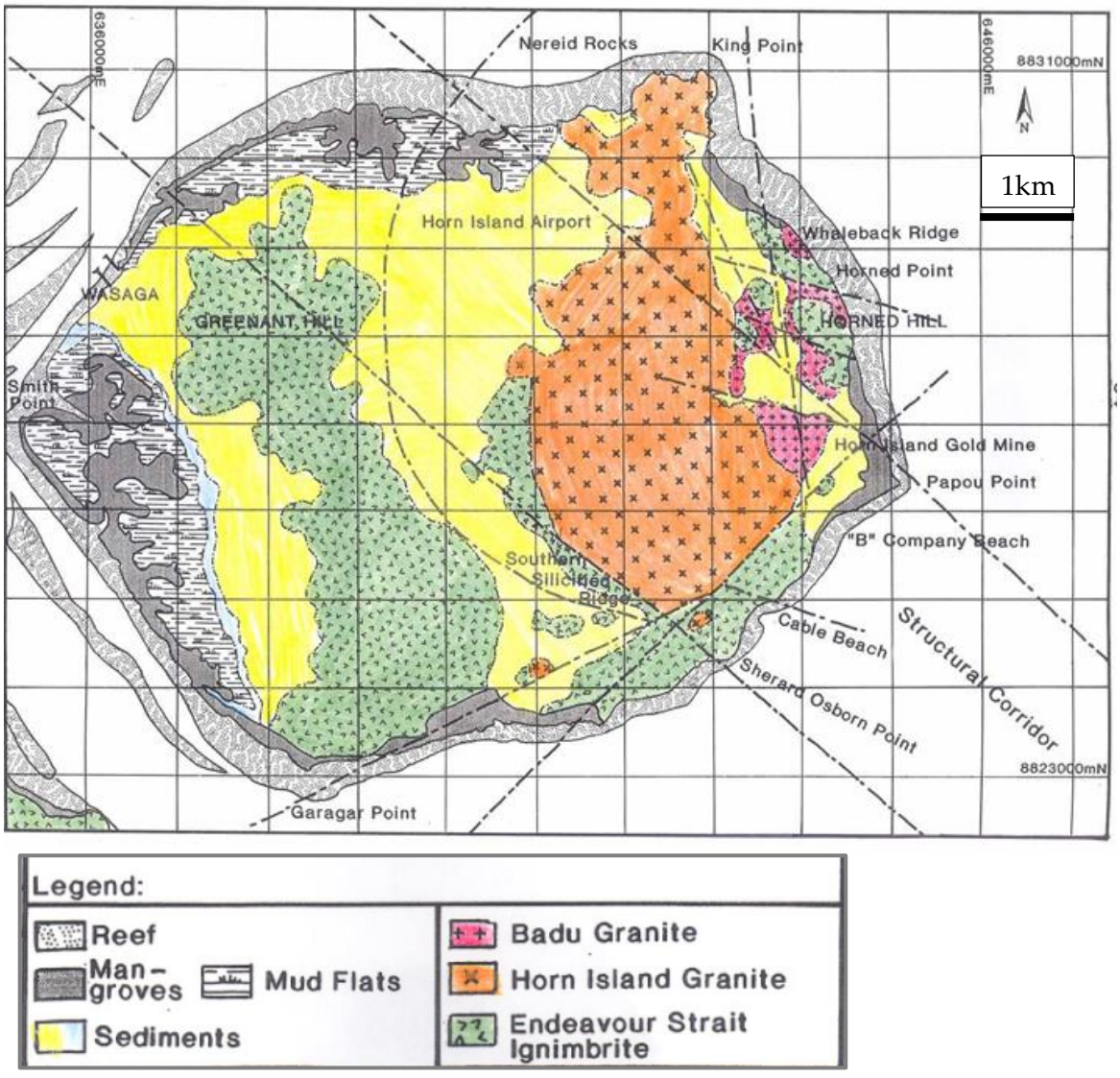


Figure 5 : Horn Island – Simplified Geology
(after von Gnielinski, 1996)

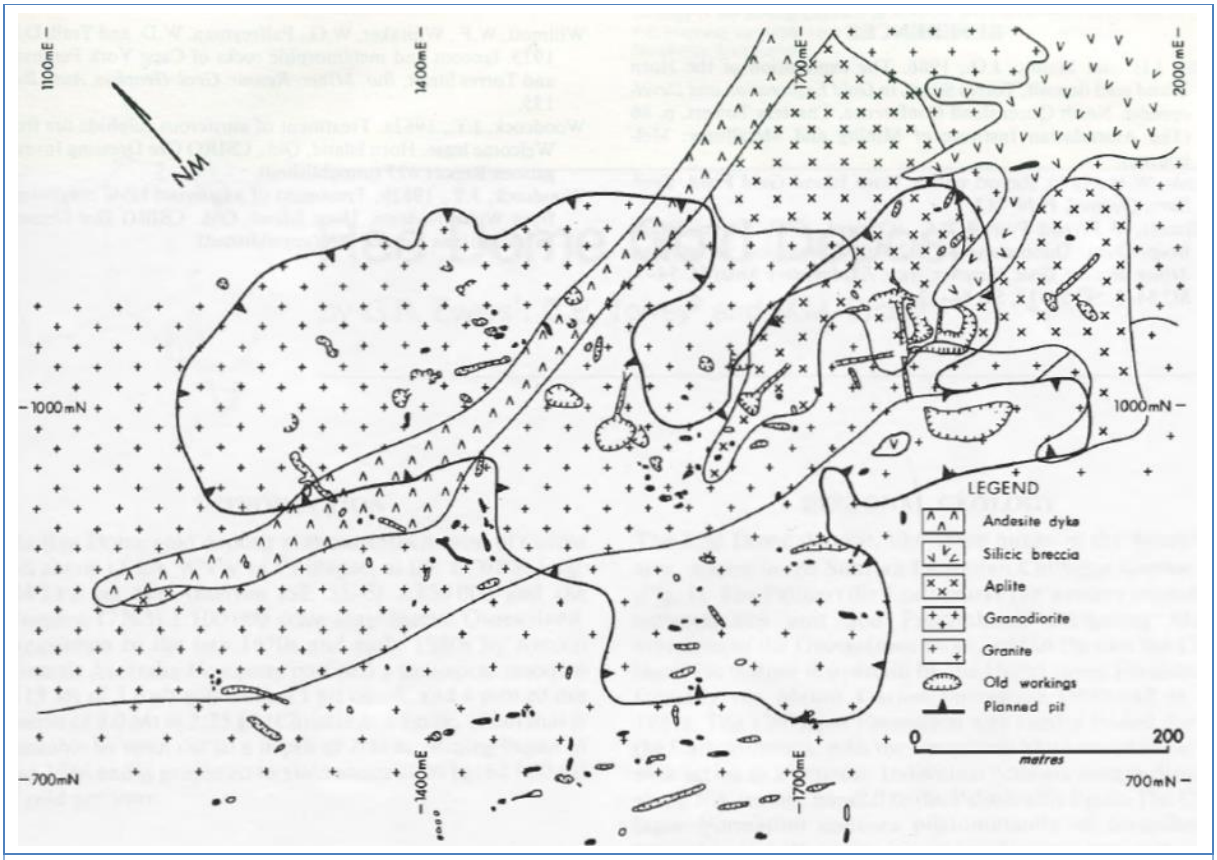


Figure 6 : Horn Island– Mine Geology
(after Levy & Storey, 1990)

2.2.3.2 Gold Lodes

The gold lodes crop out over 3km long zone length within a 1km wide corridor which strikes north-west. Lodes are composites of multiple veins each of which range in width from 0.01 to 2m, averaging about 0.2m wide. The lodes are normally ~lm wide zones of veins, but can be up to 15m wide in places, especially near brecciated intersections with other lodes.

The major lodes can be traced along strike for up to lkm but most extend for less than 60m. The lodes have been intersected in drill holes to a vertical depth of 100m but only the upper 50 m has been systematically drilled.

The gold is rarely visible and is commonly associated with sulphide – primarily galena. Abundant open vughs and post-ore vein fillings within the veins indicate tensional formation.

2.2.3.3 Alteration and Zonation

Unaltered igneous rocks are grey coloured. Near regional shears, pink colouration of potassium feldspars (hematite dusting) occurs within the granitic rocks. Sericite is the dominant alteration type associated with gold mineralisation. Pink rocks exhibit olive green alteration selvages either side of mineralised veins (0.1 to 2m in width). Wide zones of sericitic alteration (up to 20m) occur commonly associated with wider lodes and/or faulting.

The host rock around ore veins is generally barren, irrespective of the degree of alteration. Mine exposures show that alteration may be strongly developed in the absence of significant quartz-sulphide veining and is dominantly fracture-controlled.

2.2.3.4 Ore Genesis

The gold mineralisation was interpreted to be associated with quartz + sulphide veins (Figure 7) and gold content appears to be generally related but not correlated to sphalerite + galena abundance. The veins are dominantly quartz, sphalerite, galena, pyrite with lesser chalcopyrite and arsenopyrite and accessory molybdenite and tetrahedrite. Later quartz veins are observed to cross-cut the quartz sulphide veins occasionally with off-sets. However, Kirk (1988) commented that no detailed study of vein paragenesis has been conducted.

Figure 7 : Quartz + sulphide vein – western wall of Southern Pit
(Photo : M. Arundell)

The bulk of the gold mineralisation was observed to occur in two sets of veins; one near vertical striking ~310° Magnetic (270° mine grid) and the other with the same strike but a shallow dip (10° - 30°) to ~220° magnetic (grid south). High gold grade "shattered zones" occur at the intersection of the flat and steep structures. Steep lodes range from less than 1 to 10 metres in width (Figure 8), flat lodes range from 0.3 to 3 metres and shatter zones can be up to 15 metres but more commonly 4 to 6 metres wide. The lodes are often a series of veins or less commonly breccias. The controls on mineralisation are poorly known due to

the paucity of diamond drilling but may be related to steeply dipping faults. Later faulting with a strike of approximately magnetic north may displace the mineralised zones.

Figure 8 : "Steep Lode" – western wall of Southern Pit
(Photo : M. Arundell)

The mineralisation is cut by a 20 to 35 metres wide barren quartz feldspar porphyry dyke which strikes 100-130° magnetic (060-090° grid).

Levy & Storey (1990) interpreted a mesothermal origin for the base metal and gold mineralisation. Mineralisation was emplaced along tensional structures within a regional shear (structural corridor) during the waning stages of Badu Granite emplacement. Initially, quartz-pyrite-sphalerite infilled faults, then gold rich quartz-galena-pyrite mineralisation was emplaced, followed by the silicic, pyritic breccia and quartz-carbonate flooding.

2.3 Past and Recent Exploration

2.3.1 Historical Exploration at Horn Island

2.3.1.1 Historic Mining

This section on historic mining is summarised from von Gnielinski (1996).

The first gold on Horn Island was discovered by Smyth and party in 1894 and in that year the whole island was proclaimed a goldfield. The old workings appear to have been

concentrated within a north-west south-east structural corridor associated with more strongly altered rocks (Figure 5). A relatively unaltered coarsely porphyritic microgranite appears to be the south-west boundary to mineralisation. Most of the old hard rock workings were located immediately south of Horned Hill (Figure 5) on the southern side of Spring Creek. Gullies running into Spring Creek and Smyth's Creek were worked for alluvial gold.

The recorded production of the gold field is presented in Table 2. Most of the old workings consisted of small pits, trenches and shafts dug along the main quartz reefs (Figure 9). The ore treated was hand-picked from the highest grade portions of the lodes making determining the lode grade difficult. Few of these workings continued below the oxidised zone, largely because of the difficulty in recovering gold from the sulphide minerals.

Year	Holder	Tons treated	Gold Production (kg)	Comment
1894 / 1896			31.1	Alluvial
1896 / 1897		2,530	63.0	
1898 / 1899	Smyth brothers	4,396	89.5	
1900	Horn Island Gold Mining Company	9,819	25.3	
1903 / 1904			54.5	Horn and Possession Island

Table 2 Recorded Gold Production (after von Gnielinski)

The Horn Island Gold Mining Company was floated in 1899. They purchased the Smyth and party's claims in 1900 and erected a 40-head stamp battery, concentrating tables and Berdan pans (grinding and amalgamation pans). Operations were concentrated a 60 to 80 metres long by 10 metres deep open-cut on what is believed to be the Welcome reef. The company ceased operations after six months.

By 1901, the field was almost deserted (Jackson, 1902). The Cape York Peninsula Syndicate purchased the Horn Island Gold mill and Chinese prospectors cradled gold from surface material in 1902. After 1902, production figures for Horn Island were combined with figures from Possession Island. The Narupai Gold Mining Company worked surface material in 1908 but abandoned their leases later that year retaining a machinery area where they carried out surface work until 1909. Sporadic small scale mining (alluvial and shallow underground operations) continued to about 1921. Lennon and party intended to treat battery tailings in 1921 and 1922 but no gold was produced. Walker (1983) stated that since 1910 no record has been kept of mining on Horn Island.

Arthur (1936) examined the field and recommended that underground prospecting and core drilling should be carried out on the three main reefs - Mystery, Brilliant and Narupai (Figure 9). Prospecting and exploration work were carried out on the Welcome lease, where T. Rider installed a five-head battery in 1940.

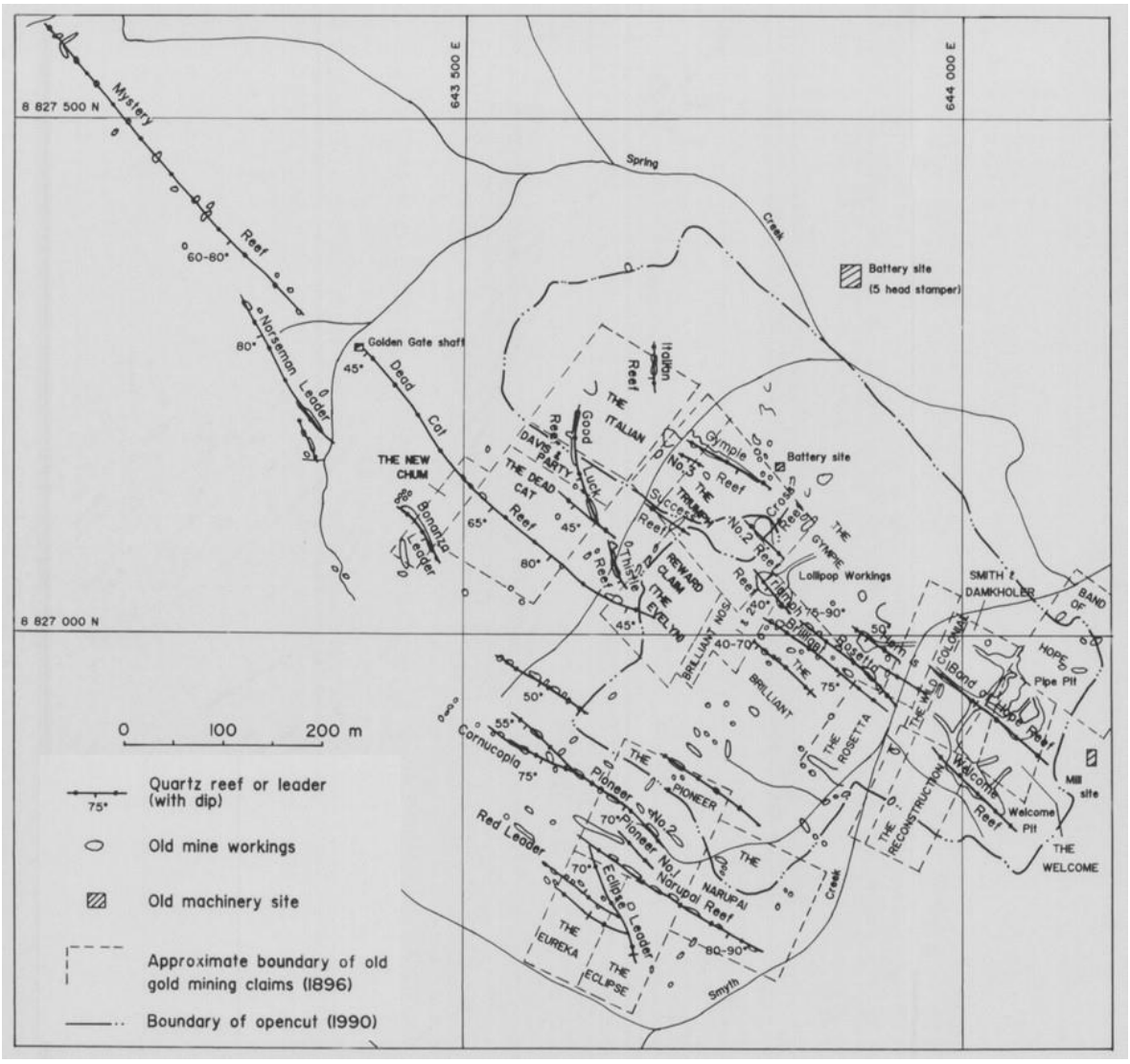


Figure 9 : Map of reefs (AQH)

2.3.1.2 Previous Exploration

A summary of previous exploration of Horn Island is presented in Table 3. Further details of the work conducted are included in Appendix 1.

Licence	Year	Company / Holder	Work completed
	1957	Enterprise Exploration Company Pty Ltd	Reconnaissance investigation of gold fields on Horn and Possession Islands and copper occurrences on other Torres Strait islands
GML 33	1950's-1960's	C.E. Peverill	Workings clean out & enlarged, bulk sampling..
AtP 184M	1962	New Consolidated Gold Fields (Australasia) Pty Ltd	Horn Island gold field visited, further work recommended but later rejected.
GML 33	1963	Australian Selection Pty Ltd	Conducted detailed study of Horn Island Goldfield. Drilled three diamond drill holes. Found best gold occurred in the main quartz-sulphide reefs and veins however was not persistent along strike. Option terminated
AtP 314M	1966	CRA Exploration Pty Ltd	Carried out drainage sampling program over ten Torres Strait islands, including Horn, targeting porphyry copper. A total of 121 samples were taken. Concluded that the granitic rocks showed no characteristics of porphyry copper type granites
AtP 580M	1969-1970	Noranda Australia Ltd	Geological mapping and rock chip sampling on five Torres Strait islands including Horn. Extensive areas of alteration outlined with pyrite. On Horn, 300 rock chip samples & 10 soil samples collected. High background Ag & Pb results were noted with low Cu & Zn. Au detected in all the parallel altered zones. Follow-up sampling indicated that Ag, Au & base metal contents were very erratic & only isolated samples had grades similar to those of the initial survey. Given this the tenement was relinquished.
EPM 3292M	1982	Essex Minerals Company	Due to lack of funds, no work carried out.
AtP 2222M	1979-	Jimbilly Pty Ltd / Apollo International Minerals N.L	Geological mapping and geochemical sampling of Horn Island Goldfield. Several high Au values at Narupai & Eureka workings but most significant values "Welcome" reef. Au associated with sulphides & quartz defined over a 300m+ strike length at Welcome. Interpreted to be controlled by faulting within & adjacent to the microgranite-granite contact. Drilling proposed not completed.

Licence	Year	Company / Holder	Work completed
AtP 3352M	1983-1985	Jimbilly Pty Ltd / Seltrust Mining Corporation Pty Ltd	Geological reconnaissance completed. Alteration zones defined within 4km x 1km N-S zone. Rock chip sampling of alteration zones showed significant values. Ground magnetic survey showed no useful trends. Diamond drilling results disappointing. Soil sampling over the Gold Field outlined 600m x 400m gold anomaly. Soil sampling at southern Silicified Ridge outlined 300m x 70m Au anomaly. IP survey detected anomalies validated by drilling & thus considered useful target selection tool. Percussion drilling showed Au associated with quartz sulphide veining under soil & rock anomalies. Diamond drilling provided insights to mineralisation style and relationships to contacts.
AtP 3352M	1985-1987	Jimbilly Pty Ltd / AuGold N.L.	Multiple drilling programs were completed. Mineralization in the North-West Zone was interpreted to occur in series of lenses dipping to SE whilst in Welcome Zone, mineralization appeared to occur as steeply dipping stockwork. Drilling showed the mineralization covered area of 70m x 200m - ~25% of extent of old workings. Preliminary assessment of 'geological' 'reserves' and 'resource' undertaken. Deeper diamond drilling to test vertical extension of mineralization below proposed open pit encountered significant Au intersections. Potential alluvial/eluvial resource also identified & extensive study undertaken. Duplicate assaying indicated mineralisation tended to be coarse & erratic in distribution. Preliminary engineering study completed. Preliminary metallurgical testing yielded high recovery to combined gravity & cyanide extraction. Project Manager was appointed to determine the economic viability of project. Initial feasibility study completed. Sterilisation and ground water drilling conducted.
AtP 4273M		Carpentaria Exploration Company Pty Ltd	Stream sediment samples collected. Best stream sediment Au anomaly on Horn Island. Flew and interpreted detailed airborne geophysical survey. Magnetic response is subdued although NW- trend through Horn Island gold field is apparent. Detailed stream sediment sampling as follow up the Horn Island anomaly. A north-west trending lode structure identified as source.

Licence	Year	Company / Holder	Work completed
AtP 3352M, 4273M & 4609M	1987-1989	Torres Strait Gold Pty Ltd (joint venture between AuGold and Giant Resources Limited)	Stream sediment geochemistry conducted. Orientation gradient array induced polarisation (IP) surveys across mine area revealed anomalous response across outcrop of ore zones. Surveys carried out in the mine area, Southern Silicified Ridge & Cable Bay Ridge to assist targeting drill follow up. All stream geochemistry and IP anomalies except Cable Bay Ridge drill tested with significant results being obtained in the Mystery Reef area, Narupai Reef and the Southern Silicified Ridge.

Table 3 Summary of Previous Exploration – Horn Island

2.3.1.3 Historical Ore Resources and Ore Reserves

Pursuant to the Australian Securities Exchange (ASX) Listing Rules[3] Chapter 5, sections 5.6, 5.12 and 5.14, there are certain requirements applicable to the reporting of historical estimates of mineralisation for material mining projects. This is applicable for projects that have historical estimates prior to February 1989 (with no subsequent reporting since that date) which is when the JORC Code was introduced as Appendix 5A to the ASX Listing Rules.

Horn Island falls under this category of 'historical resources', with previous tenement owners Giant and AuGold reporting resource and reserve estimates in 1988, prior to the commencement of mining (von Gnielinski 1996).

Pursuant to the ASX Listing Rules requirements applicable for public reporting (section 5.6) and for reporting historical estimates (sections 5.12, 5.14), the author includes the following information as shown in Table 4 as part of this IER:

[3] *http://www.asx.com.au/regulation/rules/asx-listing-rules.htm*

Company		AuGold			ACA Howe			Fluor		
ASX Listing Rule										
5.12.1	Source & Date of historical estimates	Treasure 1986			Treasure 1986			Treasure 1986		
5.12.2	Uses categories other than those defined by JORC Code 2012?	Yes - possible is not; called "Geological Reserves". Proven & Probable are categories defined by JORC Code 2012 but given the estimation method and lack of compliance with Table 1, these are not considered to be reliable estimations			Yes - possible is not. Proven & Probable are categories defined by JORC Code 2012 but given the estimation method is unknown, these are not considered to be reliable estimations			Yes; resources are unclassified		
			Tonnes	**Grade Au g/t**		**Tonnes**	**Grade Au g/t**	**Cut- off grade**	**Tonnes**	**Grade Au g/t**
		Proven ore	170,000	4.4-5.2	Proven ore	212,775	3.4	0.6	420,000	3.2
		Probable ore	550,000	3.9-4.4	Probable ore	287,712	3.4			
		Possible mineralisation	600,000	~4t	Possible mineralisation	224,025	3.4			
5.12.3	Relevance and materiality of historical estimates	Yes, indicates significant work was carried out on defining resources at the Horn Island project, albeit not to a current JORC reporting standard			Yes, indicates significant work was carried out on defining resources at the Horn Island project, albeit not to a current JORC reporting standard			Yes, indicates significant work was carried out on defining resources at the Horn Island project, albeit not to a current JORC reporting standard		
5.12.4	Reliability of historical estimates ref to Table 1 JORC Code 2012	Low - not Table 1 compliant			Low -no details on estimate provided			Low - no details on estimate provided		
5.12.5a	Summary of the work programs on which historical estimates based	Seltrust - diamond drilling (11 holes - ~1,000m) and percussion (26 holes - 1335m); AuGold - percussion (71 holes - 3,500m)			Seltrust - diamond drilling (11 holes - ~1,000m) and percussion (26 holes - 1335m); AuGold - percussion (71 holes - 3,500m)			Seltrust - diamond drilling (11 holes - ~1,000m) and percussion (26 holes - 1335m); AuGold - percussion (71 holes - 3,500m)		
5.12.5b	Summary of key assumptions, estimation parameters & methods of historical estimates	Preliminary calculation conducted on the basis of the correlations postulated on Plate (schematic diagram of correlations) and compiled drill sections. Reserves - Proven - more than one intersection in plane of orebody and where orebody intersected in more than one of two adjacent 25m spaced traverses; Probable - traverse intersections provided sufficient information to be reasonably certain of geological continuity; Possible - postulated on extension of ore beneath limit of current drilling (average 50m) - thought reasonable assumption based on known extension of ore zones. No account given to extensions of structures outside of area drilled. Weighted average grades calculated for assays within each chosen block.			No details given			Engineering study (Treasure 1986) noted resource would justify a decision to proceed to development, provided that limited mine life (~ 3 years) taken into account. Block calculations indicated ~420Kt available in proposed open cut to 45m depth. Calculation gives no account to probable extension of mineralised structures between widely spaced traverses and none to depth extensions or outside open pit. Waste to ore ratio was ~8:1 – may be effect of lack of near surface data.		
5.12.6	Any more recent estimates or relevant data available?	Yes; Giant 1988			Yes; Giant 1988			Yes; Giant 1988		
5.12.7	Evaluation and/or exploration work to verify historical estimates	Work needed to verify historical resources includes, and may not be limited to: 1. locating all the original drilling logs and sample assay certificates; 2. locating all the quality control data on the assaying.; 3. infill drilling (see Section 2.5) and several, or numerous, new drill holes twinned to historical drill holes to verify the historical drilled intersections. Associated with this drilling, all the necessary supporting information as outlined in 'Table 1' of the JORC 2012 Code pertaining to drilling a mineral deposit; 4. once additional drilling is carried out as outlined above, produce a new resource model and reported to a JORC 2012 Code level								
5.12.8	Proposed timing	Proposed timing of this re-evaluation and/or exploration work that CUU intends to undertake, is detailed in Section 2.5. In summary that includes: 1. a diamond drilling program has been designed to test high-grade structures and zones at depth for the Horn Island Project; 2. The drilling plan is for 14 core holes averaging 220m each for a total of 3,090m; 3. Work proposed to start before 2015/2016 wet season subject to approvals								
5.12.9	Cautionary statement to historical estimates	Pursuant to ASX Listing Rules section 5.12.9, the author makes the following cautionary statement regarding these historical estimates: 1. the estimates are historical estimates and are not reported in accordance to JORC 2012 Code; 2. a competent person has not done sufficient work to classify the historical estimates so mineral resource or ore reserves in accordance with the JORC 2012 Code; and 3. it is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources or mineral reserves in accordance with the JORC 2012 Code								
5.12.10	Competent Person's Statement	Pursuant to ASX Listing Rules section 5.12.10, the author makes the following statement; 1. the information in this report under ASX Listing Rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies for the material mining project; 2. the competent person, Mark Arundell, is an Associate of H&S Consultants; and 3. the competent person, Mark Arundell, is a Member of the Australian Institute of Geoscientists								

Company		PME			Giant Resources			Giant Resources		
ASX Listing Rule										
5.12.1	Source & Date of historical estimates	PME Feasibility Study, March 1987			Levy 1987			Giant Resources Annual Report, 1988		
5.12.2	Uses categories other than JORC Code 2012	Yes; resources are unclassified			Yes; Eluvial and Alluvial resource only; resources are unclassified			Proven, Probable & Measured are JORC Code categories but given estimation method unknown, estimates are **not** considered reliable		
		Cut-off grade (g/t Au)	**Tonnes**	**Grade Au (g/t)**		**Tonnes**	**Grade (g/t Au)**	**Type**		**Grade (g/t Au)**
		0.5	3 386 000	1.62	Eluvial Deposits	140,500	0.984	Proven ore	1 820 000t	2.34
		0.9	2 104 000	2.2	Alluvial Deposits	224,700	0.867	Probable ore	320 000t	2.58
		1.3	1 446 000	2.71	TOTAL	365,200	0.912	Measured resources	210 000t	2.3
								TOTAL	2 350 000t	2.37
								Alluvial Deposit	200 000m^3	0.9
5.12.3	Relevance and materiality of historical estimates	Yes, indicates significant work was carried out on defining resources, albeit not to a current JORC reporting standard			Yes, indicates significant work was carried out on defining resources at the Horn Island project, albeit not to a current JORC reporting standard			Yes, indicates significant work was carried out on defining resources at the Horn Island project, albeit not to a current JORC reporting standard		
5.12.4	Reliability of historical estimates ref to Table 1 JORC Code 2012	Low - not Table 1 compliant			Low - not Table 1 compliant			Very Low - no details on work programs, key assumptions or estimation method reported; not Table 1 compliant		
5.12.5a	Summary of the work programs on which historical estimates based	Seltrust - diamond drilling (11 holes - ~1,000m) and percussion (26 holes - 1335m); AuGold - percussion (71 holes - 3,500m + 85 holes) and diamond drilling (3 holes)			Percussion (310 holes - 3,720 samples), auger (35 holes - 51 samples); RC (93 holes - 159 samples); ditchwitch trenching (4 - 167 samples); Deep costeans (8 - 307 samples); shallow costeans (360 samples); 30 bulk samples			Based on exploration reports, assumed to be: Seltrust - diamond drilling (11 holes - ~1,000m) and percussion (26 holes - 1335m); AuGold - percussion (71 holes - 3,500m + 288 holes) and diamond drilling (19 holes)		
5.12.5b	Summary of key assumptions, estimation parameters & methods of historical estimates	Geostatistical analysis & reserve estimate using "P.C. -Mine" software. Orebody model based on 6m columns in E, 6m rows in S direction & 35 3m benches. Variograms run in a number of directions to establish isotrophy. Variogram plots modelled poorly - Kriging not used. Thus data points were weighted by inverse distance squared. A spherical shape of influence was adopted. The down hole variogram had a range of 15m.			Because of variable grade, no rigorous ore reserve was calculated. A geological plan of ore zones was used to deduce which elevated surficial grade zones constituted eluvial resources. Isolated, "unexplained" high surficial assays were excluded. The eluvial deposits identified relate to 485 lode system & Welcome lodes.			The mineable ore reserves, based on a 1.0 g/t Au cut-off grade		
5.12.6	Any more recent estimates or relevant data available?	Yes; Giant 1988			Yes; Giant 1989			No		
5.12.7	Evaluation and/or exploration work to verify historical estimates	Work needed to verify historical resources includes, and may not be limited to: 1. locating all the original drilling logs and sample assay certificates; 2. locating all the quality control data on the assaying.; 3. infill drilling (see Section 2.5) and several, or numerous, new drill holes twinned to historical drill holes to verify the historical drilled intersections. Associated with this drilling, all the necessary supporting information as outlined in 'Table 1' of the JORC 2012 Code pertaining to drilling a mineral deposit; 4. once additional drilling is carried out as outlined above, produce a new resource model and reported to a JORC 2012 Code level								
5.12.8	Proposed timing	Proposed timing of this re-evaluation and/or exploration work that CUU intends to undertake, and its funding, is detailed in Section 2.5. In summary that includes: 1. a diamond drilling program has been designed to test high-grade structures and zones at depth for the Horn Island Project; 2. The drilling plan is for 14 core holes averaging 220m each for a total of 3,090m 3. Work proposed to start before 2015/2016 wet season subject to approvals								
5.12.9	Cautionary statement to historical estimates	Pursuant to ASX Listing Rules section 5.12.9, the author makes the following cautionary statement regarding these historical estimates: 1. the estimates are historical estimates and are not reported in accordance to JORC 2012 Code; 2. a competent person has not done sufficient work to classify the historical estimates so mineral resource or ore reserves in accordance with the JORC 2012 Code; and 3. it is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources or mineral reserves in accordance with the JORC 2012 Code								
5.12.10	Competent Person's Statement	Pursuant to ASX Listing Rules section 5.12.10, the author makes the following statement; 1. the information in this report under ASX Listing Rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies for the material mining project; 2. the competent person, Mark Arundell, is an Associate of H&S Consultants; and 3. the competent person, Mark Arundell, is a Member of the Australian Institute of Geoscientists								

Table 4 Historical Resources and Reserve estimates (pre-JORC 1988)

2.3.1.4 Mining operations

The following section is summarised from von Gnielinski (1996).

Construction commenced in late 1987. Open cut hard rock mining operation commenced Quarter 1 1988. Three open cut pits were mined: The West Pit, South Pit and the East Pit (Figure 10). The mine was abandoned in December 1989 due to bankruptcy of Giant Resources Ltd.

Ore dilution from mining the narrow, near vertical veined gold mineralisation was one of the main early problems causing the operation to lose money - increased waste stripping also contributed. The grade delivered to the plant was reported as 1.7 g/t against an expected grade of 2.37 g/t. Initially mining units of 6m x 6m x 3m were used but this was unsuitable for the character of the ore veins. Reducing the block size coupled with more selective excavation produced a dramatic increase in gold grade in the June and September 1989 quarters.

von Gnielinski (1996) calculated that Giant mined and milled ~640,000 tons at 1.6 g/t Au. Mining depth of the open cut was reported to have only reached 18 metres which he calculated a 'reserve' of ~1.5 million tons at 2.37 grams per ton. He concluded that the quantities summarised in Table 5 were upper limit estimates on tons and lower limit estimate on grades.

Quarter	Mined				Milled			
	Total (t)	Strip Ratio	Hard Rock (t)	Grade (g/t Au)	Alluvial (t)	Grade (g/t Au)	Hard Rock (t)	Grade (g/t Au)
June 88					3,330	0.45		
Sept 88	907,500	5.9:1	50,678	1.07	38,817	0.39	38,900	1.07
Dec 88	923,400	8.6:1	86,000	1.57	21,000	?	86,000	1.57
Mar 89	972,100	11:1	81,200	1.27			81,200	1.27
June 89	1,288,200	9:1	128,930	1.79			151,644	1.79
Sept 89	1,845900	10.2:1	165,300	1.82			165,311	1.82
Dec 89	916,000	6.8:1	117,400	1.36			117,440	1.36
TOTAL	**6,853,100**	**9.9:1**	**629,548**	**1.58**	**63,147**	**0.39**	**640,495**	**1.58**

Table 5 Production Data

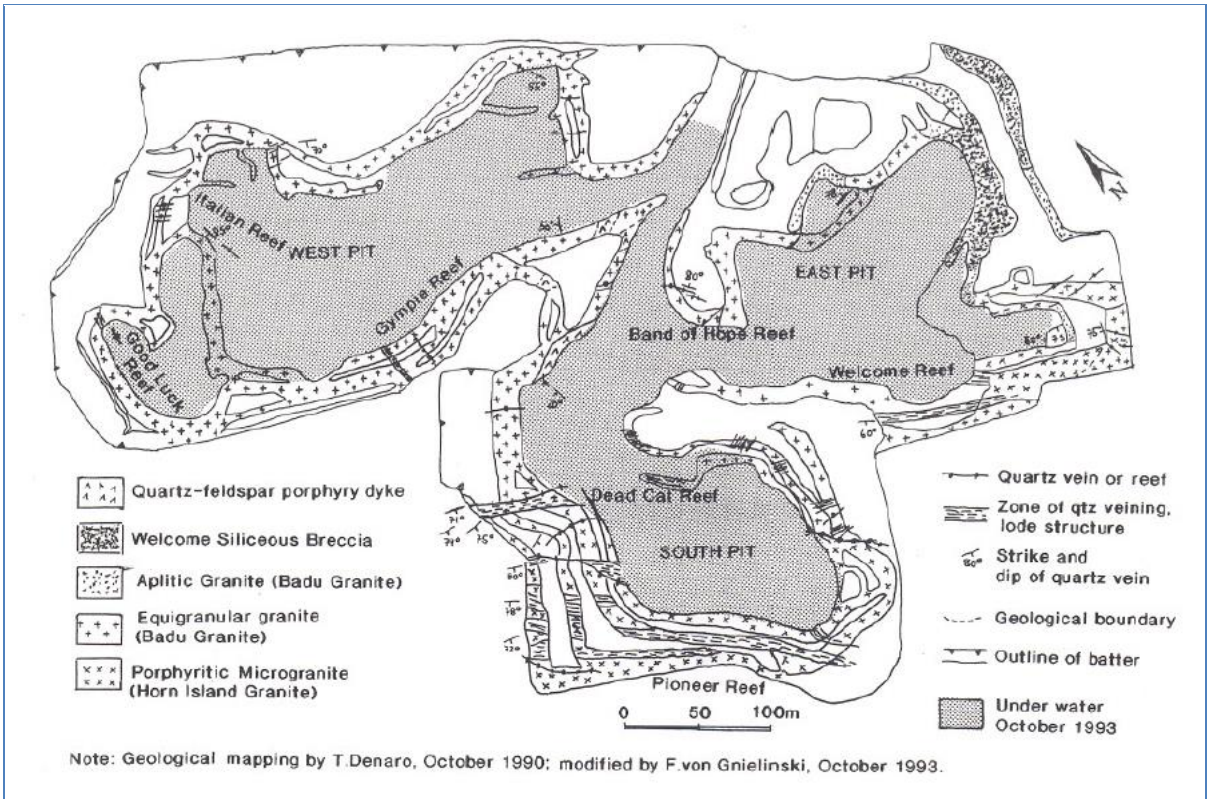


Figure 10 : Outcrop geology - Horn Island Gold Mine
(after von Gnielinski, 1996: Fig35)

2.3.1.5 Environmental Issues

The following section is summarised from von Gnielinski (1996).

Due to insolvency of Giant Resources Ltd and consequently of AuGold and TSG, the mine was abandoned in December 1989 and the mining leases forfeited. This enabled the Queensland Government, through the (then) Department of Mines and Energy (DME), to decommission and rehabilitate the mine.

The DME found that AuGold and Giant had not demonstrated a responsible, conscientious, approach to their pre-grant commitments and compliance was at best tenuous. In general DME perceived that poor management during the construction and early mining phases of the mine gave rise to a number of environmental problems which could have been avoided by stricter adherence by AuGold and Giant to lease conditions and the approved mining plan (DME file ML4947, ML 5948 cited in von Gnielinski, 1996).

AuGold was not able to commence any rehabilitation at all and their security bond was inadequate to completely rehabilitate the site. The Queensland State Government was then committed to the rehabilitation work. With only a limited budget, decommissioning of the mine site had to be strictly managed and prioritised.

As noted in the Tenement Report (Section 8), part of EPM 25520 is subject to prior mining disturbances that have not been adequately rehabilitated. As such, it is likely that exploration activities conducted under the authority of EPM 25520 will result in the creation

of additional environmental liabilities when conducting exploration activities within these previously disturbed areas.

2.3.2 Recent Exploration at Horn Island Project by AQH

This section is summarised from a report by Holliday (2014).

2.3.2.1 Geological Compilation

AQH have obtained all the historic exploration reports on the Horn Island Project from the Queensland Department of Resources and Mines QDEX system. Data from these reports has been compiled. The focus thus far has been on compiling the drilling data from the work completed by Seltrust and AuGold. AQX have located data for 536 holes (8,077m). Complete analytical data has been recovered for about 80 holes, including HOR 1-70 and earlier Seltrust holes. Composite assays have been located for drillholes HOR 71-410. For holes HOR 411-619, only sporadic assays have been entered where the old scans are legible. Unfortunately due to the poor state of some of original data records, not all of the assay data has been able to be digitized. AQH has had all legible drill-hole information hand-entered and validated into a digital database for use in GIS and 3D modelling software. These tools have been used to interpret the data as much as is possible given its limitations. Also, field inspection has shown that some of the collars of the drillhole have not been accurately located. However, by integrating available assay data, old workings plans and observable surface geology, the broad trends of the mineralisation can be recognised with confidence.

Historic drill core has been destroyed and limited information can be gleaned from the open cuts as they are filled with water (Figure 11).

The compilation by AQH of historic drilling results, identified numerous individual gold intersections over ~1m thickness interpreted to be across the strike of the mineralisation. Some of these intersections are beneath the current open cut and below the limit of the historic planned pit shell. A number of other intersections were identified outside the current open cut that remain untested along strike and at depth.

The following targets outside the zone of the existing pit area have been identified:

- Narupai Reef (Figure 9)
- Mystery Reef (Figure 9 and Figure 12)
- Southern Silicified Ridge (Figure 10 and Figure 13)

Figure 11 : Aerial view of Horn Island gold mine
(Photo : M. Arundell)

Figure 12 : Mystery Reef working
(Photo : M. Arundell)

Figure 13 : Southern Silicified Ridge
(Photo : M. Arundell)

2.3.2.2 Channel Sampling

This section is summarised from a report by Cooper (2014) and an announcement by Holliday (2014b).

Rock channel and rock chip sampling was completed by AQH at the former Horn Island mine site during November, 2014. The sampling consisted of 233 rock chip and channel samples collected mainly on the exposed western rock faces of the abandoned gold mine South Pit (Figure 15). The sampling was conducted on the only currently accessible area of wall rock exposure of the former mine. The samples were analysed for gold and a large range of other elements. Samples were collected either as a cut channel using a hand held diamond saw (Figure 14) or by hammer and chisel.

2.3.2.3 Sampling Methodology

Sampling techniques and data are reported as per Table 1 of JORC Code 2012 (Appendix 2).

The rock channel samples were taken by cutting parallel slots 2-3cms deep over an interval of rock face and chipping the central part out in total by hammer and chisel. The channels were oriented orthogonally to observable mineralized structures. The rock chip samples were taken by non-selectively sampling across a section of exposed rock by chipping with a hammer. In total, 134 rock channel and 96 rock chip samples were collected.

Figure 14 : Diamond saw rock channel sampling
AQH – November 2014

Figure 15 : Western Wall of Southern Pit
(Photo : M. Arundell)

2.3.2.4 Results

Figure 16 shows anomalous gold results (>0.1ppm) extending over ~750m of strike length from the Mystery vein workings in the north-west to the projection of the Dead Cat Reef in the western face of the Southern Pit.

Figure 17 illustrates the detailed channel sampling of the only currently accessible wall rock exposures within the Southern pit. Channel samples from this area have confirmed the presence of high-grade gold associated with quartz-sulphide veins. Significant results (Au >1 g/t) are presented in Table 6.

Sample	Centre_East (MGA54)	Centre_North (MGA54)	Intercept (m)	Grade (g/t Au)	Figure
HC14-048	643786.71	8827057.55	1.07	1.07	
HC14-057	643793.51	8827063.65	1.00	21.5	**Figure 19**
HC14-068	643803.37	8827080.98	1.02	107	**Figure 18**
HC14-081	643808.72	8827083.80	0.62	3.76	
HC14-082	643808.89	8827084.44	0.71	1.67	

Table 6 2014 Rock channel sampling. Significant Intersections Summary

Anomalous gold occurs with silver as well as geochemically anomalous levels of zinc, lead and arsenic (Figure 17).

AQH considered that the new results provide further strong encouragement for the proposed core drilling program to test the deeper and broader exploration potential for high gold grade ore surrounding and beneath the former mine pit. See **Section 2.5** for budget, target priority and proposed number of holes and meterage.

2.3.2.5 Duplicate sampling

Although only limited duplicate style sampling was undertaken by AQH as part of the channel sampling program, the author notes that the coarse and erratic nature of gold described by Noranda (Richards et al, 1970) and AuGold (Treasure, 1986 and Hills, 1987) is evident in the data.

For example, samples HC14-079 and HC14-081 were collected 20cm apart across the same vein. Sample HC14-079 reported 0.04ppm Au and HC14-081 reported 3.76ppm Au. Samples HC14-080 and HC14-082 were collected 20cm apart across a vein 70cm northwest of samples HC14-079 and HC14-081. Sample HC14-080 reported 0.07ppm Au and HC14-082 reported 1.67ppm Au.

Four samples were taken by the author during the site visit to Horn Island. These were taken as duplicates of the original AQH channel samples. Although not "perfect" duplicates, the author attempted to replicate the original sample as far as practical. Samples were analysed by different laboratories but similar methods as would be the case with umpire assaying. The difference in the results reinforces the author's opinion that erratic gold distribution is likely to be present at Horn Island. Results are presented in Table 7.

H&S Sample	AQH Sample	East (MGA54)	North (MGA54)	Length (m)	AQH Au g/t	AQH Au(R) g/t	H&S Au g/t	Difference
38801	HC14-069	643805.42	8827083.89	1.10	0.2		0.05	-75%
38802	HC14-068	643803.37	8827080.98	1.02	106.5	90.2	3.92	-96%
38803	HC14-057	643793.51	8827063.65	1.00	21.5	18.9	102	374%
38804	HC14-060	643799.03	8827069.43	1.00	0.92		0.06	-93%

Table 7 Rock channel sample duplicates

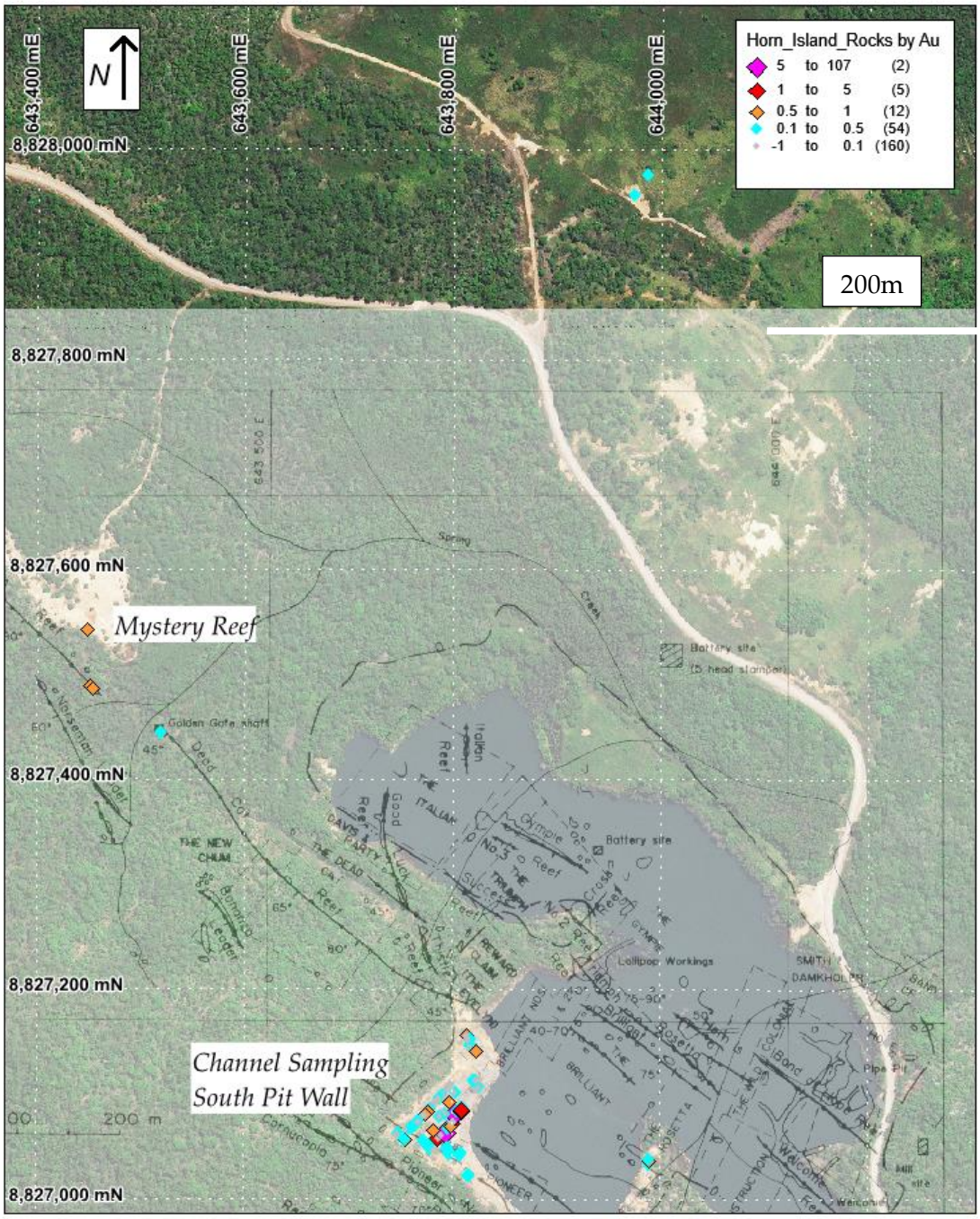


Figure 16 : Rock sampling 2014
(see Figure 17 for more detail for South Pit)

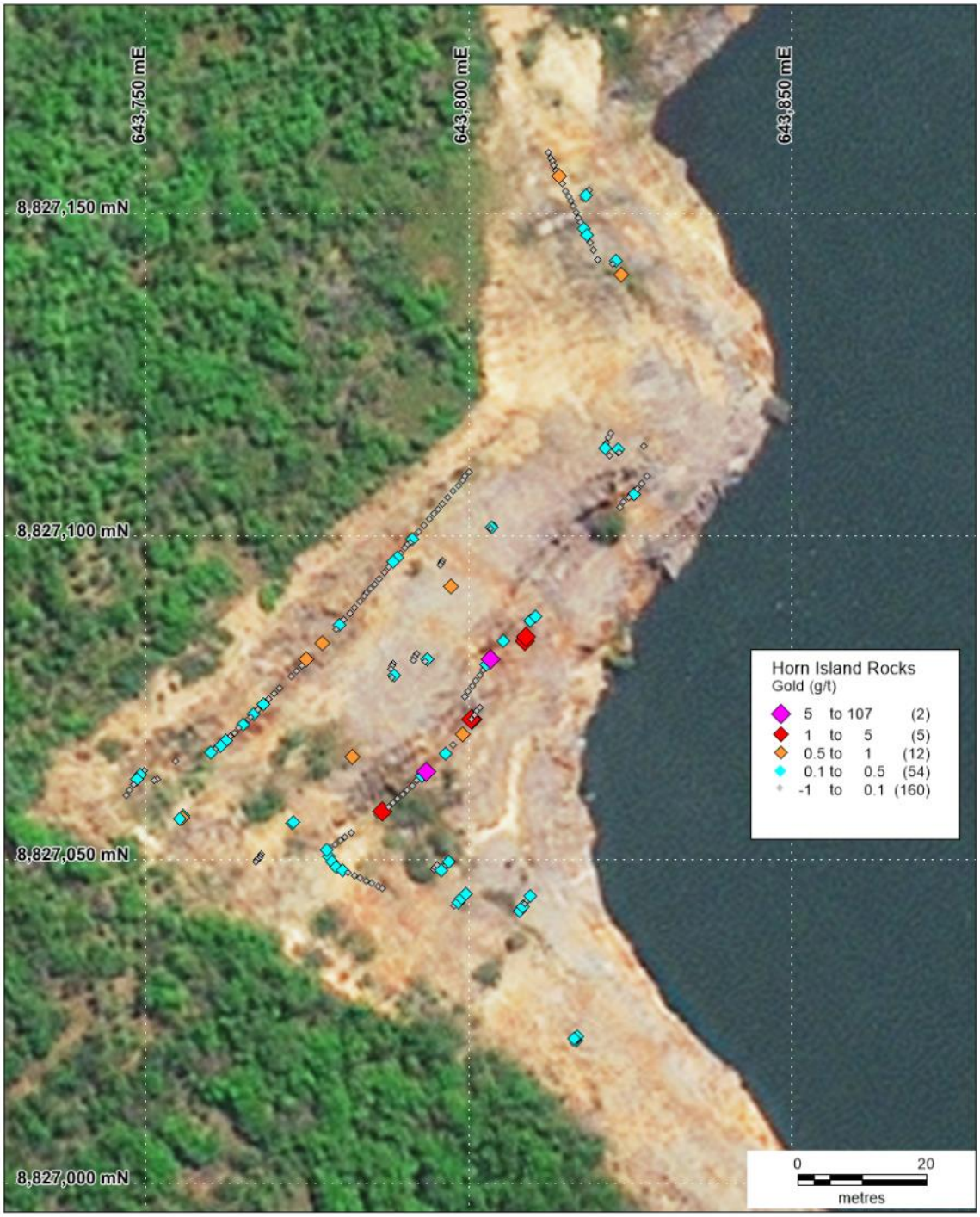


Figure 17 : Rock Channel sampling 2014 – western face of South Pit

Figure 18 : Rock Channel sampling 2014 – HC14-068
(Photo : M. Arundell)

Figure 19 : Rock Channel sampling 2014 – HC14-057
Geo pick for scale (Photo : M. Arundell)

2.4 Exploration Potential at the Horn Island Project

Based on the compilation of historic data and the recent rock channel sampling, AQH believes, and the author of this report concurs, that the Horn Island Project does have excellent exploration potential and thus warrants ongoing exploration.

The following targets have been inadequately tested and require further exploration:

- At depth under the flooded open cut, i.e. below 50m depth, where there has been hardly any drilling.
- In the surrounding areas of historic old workings that have never been subject to deep drilling assessment, e.g. Mystery Reef, Narupai Reef
- The Southern Silicified Ridge where high grade gold has been intersected but not followed up.

AQH have proposed a diamond drilling program of approximately 3,000m at Horn Island (see Section 2.5) which is considered by the author to be a good test of the identified high grade gold structures. The total program will comprehensively test the potential for gold mineralisation at depth. Core drilling has been selected as the preferred drilling technique as it will provide detailed geological information, analytical data sampled by geology and will facilitate geologically constrained resource estimation.

2.5 Exploration Program and Budgets

AQH have advised that it have devised a two-year forward looking exploration program and budget. The program will comprise drilling, modelling and resource estimation (Table 8 and Figure 20).

AQH have designed a core drilling program to test high-grade structures and zones at depth for the Horn Island Project. These structures and zones were interpreted by careful examination for alignments of historic workings plans and the high grade intersections in the 1980's drilling. The drilling plan is for 14 core holes averaging 220m each for a total of 3,090m.

Specifics of the drilling program are:

- 14 core holes to +200m downhole at 60° inclination to either 40°T or 220°T
- HQ3 core as a minimum size
- Geochemical analysis of half core of each hole unless totally unmineralised
- Assay interval of 1m or less
- Au analysis by fire assay; high grade Au by screen fire assay; multi-element analysis (33 elements) by ICP
- Preliminary on-site field portable XRF analysis
- High resolution core photography
- Spot (ASD) spectrometry and magnetic susceptibility downhole
- Oriented core logging
- Downhole survey by camera or gyro
- High resolution spectrometry (Corescan / Hy-Logger) & petrography on selected core
- Rehabilitation of drill tracks and drill pads as required

Core drilling direct cost is estimated at $400,000 (excluding GST) based on indicative pricing provided by contractor of $130/m. The proposed budget is presented in Table 8.

Expenditure Exploration	Year 1	Year 2	Total
Exploration Drilling (inc. mobilisation/demobile, survey)	$430,000	$517,000	$947,000
Sample analysis	$81,000	$104,000	$185,000
Field Geology (inc. drilling supervision, core logging)	$20,000	$20,000	$40,000
Office Geology and Reporting	$47,000	$47,000	$94,000
Geophysics (airborne and ground)	$-	$-	$-
Access and Heritage (inc. heritage surveys)	$50,000	$50,000	$100,000
Environmental (inc. rehabilitation & bonds)	$8,000	$8,000	$16,000
Tenement Cost & Compliance (inc. tenement rents)	$20,000	$20,000	$40,000
Office & Admin	$198,000	$197,000	$395,000
Community Relations	$120,000	$120,000	$240,000
Sub Total	**$974,000**	**$1,083,000**	**$2,057,000**
Contingency (10%)	$97,400	$108,300	$205.700
Grand Total	**$1,071,400**	**$1,191,300**	**$2,262,700**

Table 8 Proposed Budget for Horn Island Project

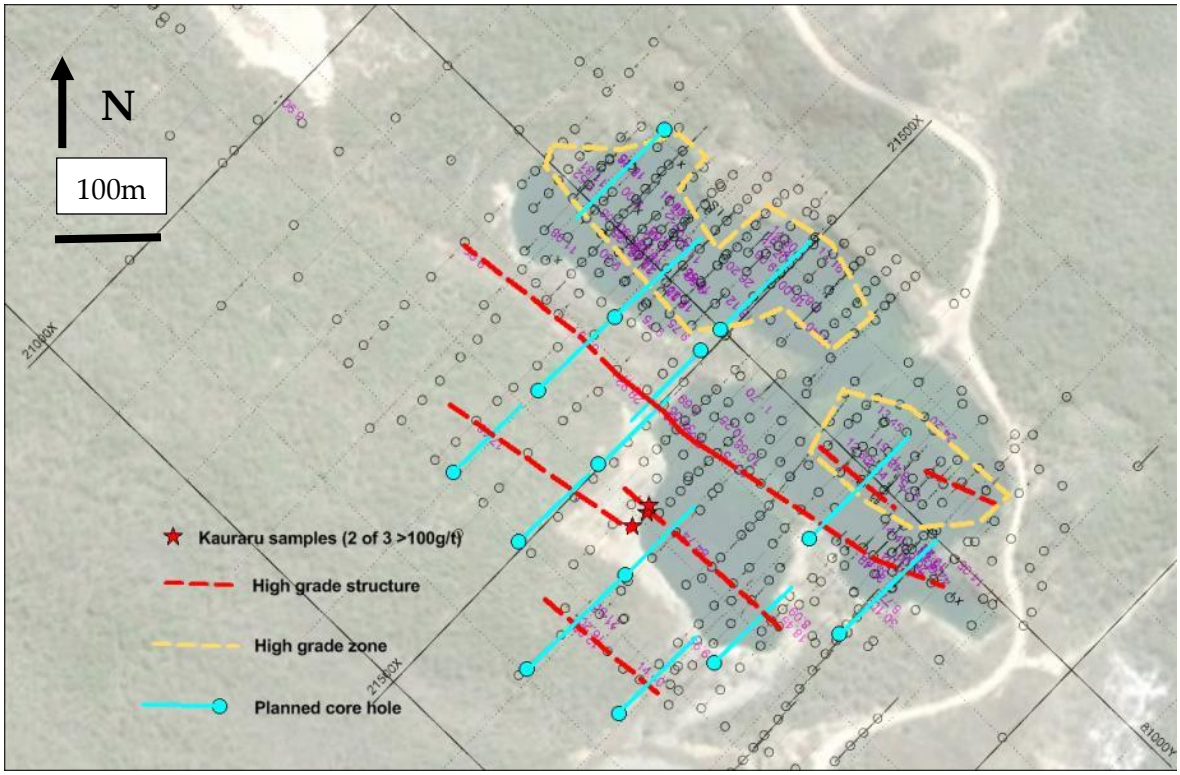


Figure 20 : Horn Island Project – Proposed drilling

2.6 Potential Liabilities and Risks

As noted in section 1.1, H&SC has not been requested to provide an Independent Valuation or detailed Risk Assessment but it should be noted that greenfields exploration is a high risk venture. AQH's Horn Island tenement is in an advanced stage of exploration but still requires significantly more work to ascertain if there are mineral resources and ultimately an ore reserve. Even if a resource were to be identified, other issues including ongoing funding, adverse government policy, geological conditions, commodity prices or other technical difficulties may result in a resource not being economically viable.

The following potential risks were noted during the site visit and review of the Horn Island Project:

- Arsenic – the gold mineralisation appears to be intimately associated with arsenic. The levels of arsenic appear to be significant and could be deleterious to health or pose an environmental risk. Further work on this needs to be undertaken.
- Crocodiles – a large saltwater crocodile was observed within the water filled open cut. Safety of staff during the drilling campaign could be at risk and need to have clearance from a qualified person
- Asbestos – the current Horn Island landfill site utilises the waste dumps of the 1980's mining operations. The landfill site is authorised to receive asbestos products. The nature of the disposal of the asbestos products on site is unknown and needs to be investigated.
- Environmental legacy - as noted in the Tenement Report (Section 8) any exploration activities conducted within previously disturbed areas will require appropriate rehabilitation in accordance with the current environmental conditions and the existence of the prior disturbances may cause these rehabilitation activities to be more comprehensive and costly.
- Nuggetty gold – both Noranda and AuGold commented that gold mineralisation tended to be coarse & erratic in distribution. Also, mined grades were significantly less that predicted. Where duplicate style sample were collected by AQH (samples ~0.5m apart), significant grade variation was recorded. This indicates that there may be an issue with grade estimation to nugget effect and/or coarse grained gold. This issue needs to be addressed in any subsequent drill or sampling program before resource estimation is undertaken.

It should be noted however, that H&SC makes no other assessment to potential liabilities and risks that relate, but not limited to, legal, financial, company, reliance on key personnel, or general exploration success. For other potential liabilities and risks the reader is directed to refer to the Investment Overview and Tenement Report elsewhere in the main Prospectus.

3 Looking Glass

3.1 Project Overview

3.1.1 Location, Access and Infrastructure

The Looking Glass Project (EL 8225, covering ~216km^2) is located in the Central West Region of New South Wales and is approximately 30 km north-west of Coonabarabran and ~300km north-west of Sydney (Figure 21).

Figure 21 : Looking Glass – Project Location

The Looking Glass Project is situated mainly within cleared and non-cleared grazing and pastoral land and is well serviced by existing road and electricity infrastructures and both are easily accessible from nearby Coonabarabran. Service facilities in the area are excellent and include, but are not limited to, heavy earth moving equipment contractors, mechanical and electrical service contractors, hospitals, construction companies, significant residential housing and commercial regional airports.

3.1.2 Tenements

3.1.2.1 Tenement License status

The Looking Glass Project is covered by EL 8225 (Figure 21) and is held by Monzonite Metals Pty Ltd ("MMPL"). EL 8225 is managed by AQH on behalf of MMPL.

According to the Tenement Report (Section 8), MMPL is owned 90% by AQH. There is a Deed of Confirmation in place between MMPL and AQH deeming that AQH would solely fund the Looking Glass Project through to commencement of production. H&SC has sighted the Deed of Confirmation.

H&SC reviewed the license status of the tenement by using the New South Wales MinView system on May 4, 2015 (Figure 21 : Looking Glass – Project Location

and Table 9). The tenement appears to be in good standing. Although current expenditure commitments have not been met, an email from the author of the Tenement Report notes the Department has advised that the Annual Report (which notes the program conducted, expenditure and the proposed program) is acceptable, notwithstanding the shortfall in expenditure.

The Exploration licence is subject to annual rental fees payable to the NSW Division of Resources & Energy; all current annual fees and levies have been paid by AQH according to an email received by H&S from the author of the Tenement Report.

It should be noted however, that H&SC makes no other assertion or assessment to the legal position of the tenements nor is qualified or mandated to do so. The reader is directed to the Tenement Report (Section 8).

3.1.2.2 Land Access Agreement

As noted in the Tenement Report (Section 8) to CUU, it is necessary to enter into a written access agreement with a landholder prior to carrying out exploration on land which is owned or occupied (see Section 140(1) Mining Act). A landholder is entitled to compensation for all compensable loss caused to such land by exploration (Section 263(1) Mining Act).

3.1.2.3 Native Title

As noted in the Tenement Report (Section 8) to CUU, the total area of EL 8225 is subject to the Gomeroi People Native Title Claim NC2011/006. This claim has been accepted for registration pursuant to the terms of the Native Title Act (NTA). The Right to Negotiation

process prescribed by the NTA has not been completed or commenced by the Exploration Licence holder in respect to any land within EL 8225.

3.1.2.4 Exclusions / Restrictions

As noted in the Tenement Report (Section 8) to CUU, approximately 46% of EL 8225 is within four Mining Reserves that existed at the date of grant. Exploration can be conducted in accordance with the conditions of EL 8225 (particularly, Condition 36) within land subject to the Mining Reserves, and in the event that a mineable resource is defined, the holder of EL 8225 will need to make application to the Governor to revoke that part of the Mining Reserve from the surface to a depth, or from a depth below the surface to enable a Mining Lease Application to be granted in the land subject to the Mining Reserves.

TenID	Holder	Operator	Project	Grant Date	Expenditure	Rent	Units	Area km²
EL 8225	MONZONITE METALS PTY LTD	ALICE QUEEN HOLDINGS PTY LIMITED	Looking Glass	6/1/2014	$57,000	$4,440	74	216.3

Table 9 Summary of Looking Glass tenement details

3.2 Geological Setting

3.2.1 Tectonic Setting

The Looking Glass tenement lies within the geological and tectonic terrain known as the Lachlan Orogen (formerly Lachlan Fold Belt) within the "Tasmanides" of Eastern Australia. The Lachlan Orogen extends from Queensland and through New South Wales and across into Victoria and Tasmania and is ~1000km long and ~700km wide (Gray, 1997; Figure 22)

Lithologically, the Lachlan Orogen is comprised of deformed sedimentary rocks, and mafic volcanics that accumulated along the eastern edge of Gondwanaland during the early Palaeozoic (Foster & Gray, 2008).

The deformation occurred during the mid-Palaeozoic and comprised of compression and strike-slip faulting (Gray, 1997; Gray et al, 1997), and then later extension (Fergusson & Coney, 1992), of the wedge of sedimentary and volcanic rocks. This intraplate deformation resulted in extensive thickening of the sedimentary and volcanic rocks in the order of 50% or more (Fergusson & Coney, 1992) and ingrained a general north-south trending structure to the belt. During the mid-Palaeozoic (late Silurian – mid-Devonian) this deformed and compressed rock wedge was subjected to extensive intrusion by S and I-type granites and underwent high temperature-low pressure metamorphism (Foster & Gray, 2008).

During the mid-Palaeozoic (late Devonian) the eastern part of Lachlan Orogen collided with an island arc assemblage with resulting in a mainly back-arc setting with terrestrial sedimentation (Fergusson & Coney, 1992) and silicic volcanism and plutonism (Gray, 1997). In late-Palaeozoic (Carboniferous) the eastern edge of the Lachlan Orogen collided with the New England Orogen (Gray, 1997). This was also a time of general extension across the whole of the Lachlan Orogen and the completion of the accretion process of the Lachlan Orogen to eastern edge of Gondwanaland.

The various stages of sedimentation/volcanism, intraplate deformation, faulting, granitisation and collisions resulted in the Lachlan Orogen comprising of three thrust belts, The Western, Central and The Eastern sub-provinces (Glen, 2005). The Looking Glass tenement lies within the Eastern sub-province (Eastern Lachlan; Figure 23).

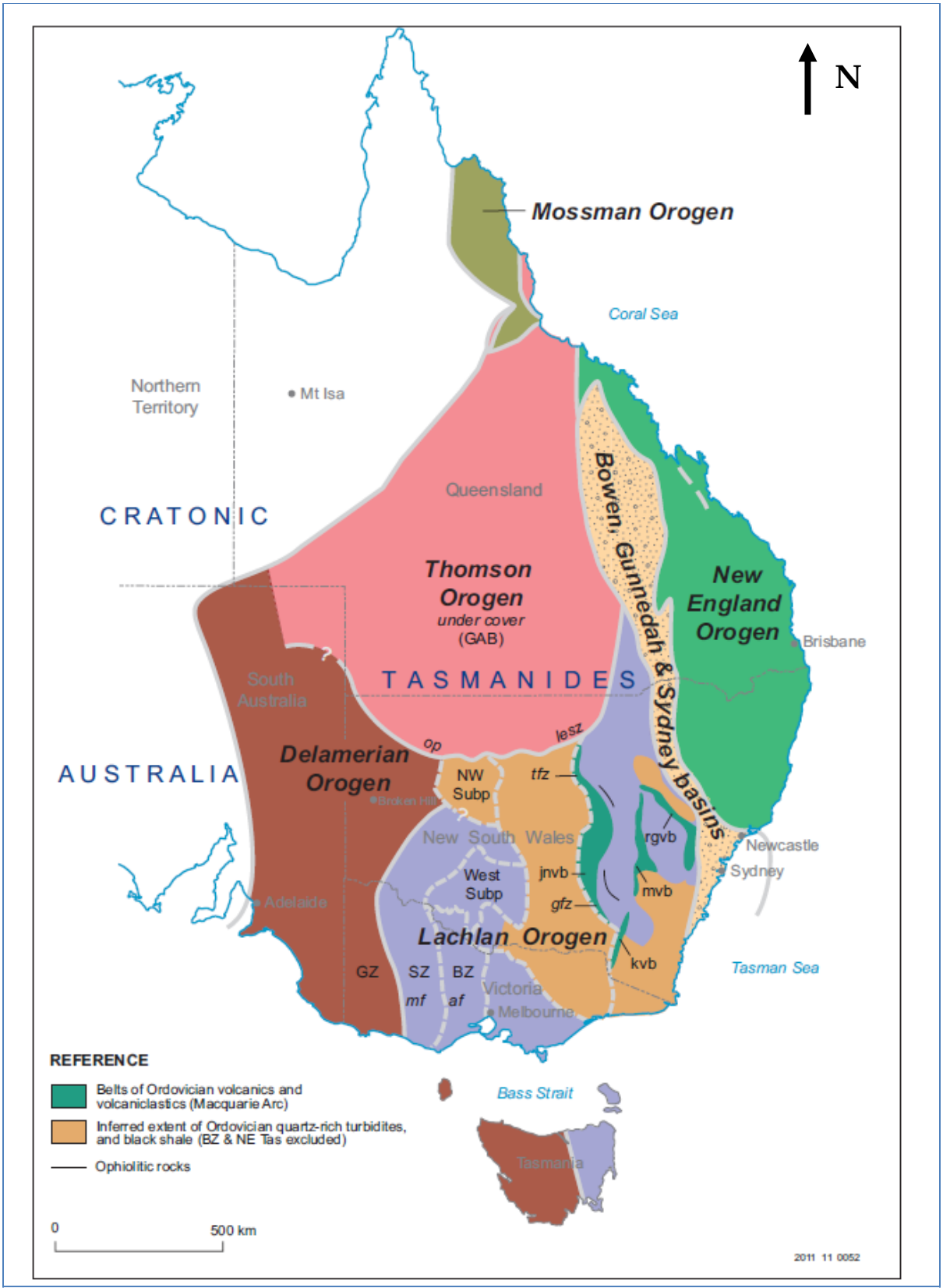


Figure 22 : Tasmanides of eastern Australia
(after Glen et al, 2012)

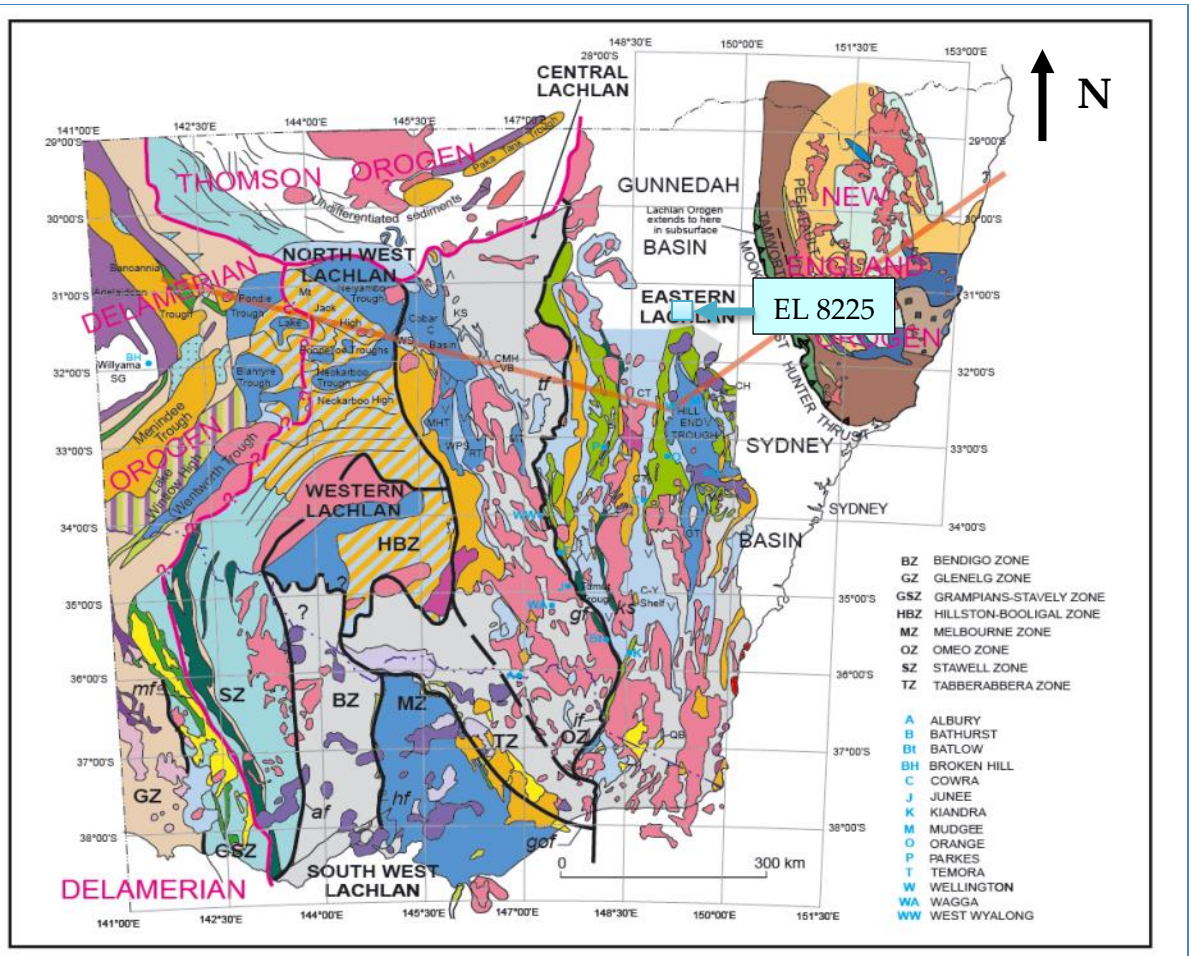


Figure 23 : Divisions of the Lachlan Orogen
(after Glen, 2005)

3.2.2 Regional Geology

The Looking Glass Project occurs in what is interpreted to be a similar geological and structural environment to world class copper-gold and gold deposits in the Lachlan Orogen (Figure 24). These include:

- major porphyry Cu-Au deposits such as Cadia-Ridgeway, Goonumbla (Northparkes) and Copper Hill
- epithermal Au deposits such as Cowal, Peak Hill and Gidginbung / Temora
- Skarn deposits such as Junction Reefs and Big Cadia

These Lachlan Orogen Cu-Au and Au deposits are hosted in Ordovician sediments and volcaniclastics that have been deformed and faulted and then intruded by complex differentiated Ordovician to Early Silurian intrusive bodies. The Looking Glass project is interpreted to occur within the unexplored, under cover, northern extension of the Molong Volcanic Arc which hosts the giant Cadia deposits (9Mt Cu, 50Moz Au).

Three belts of Ordovician volcanic, sedimentary (volcaniclastic plus limestone) and intrusive rocks occur in central NSW– Junee-Narromine Volcanic Belt in the west; Molong Volcanic

Belt in the centre; and the Rockley-Gulgong Volcanic Belt in the east (Figure 24). These Ordovician belts, part of the Macquarie Arc in the Lachlan Orogen, have arc-like, calc-alkaline geochemistry and trace-element suprasubduction zone signatures (Glen et al, 2012).

The three belts are separated by Silurian–Devonian rift basins and are therefore, inferred to have been rifted apart during crustal extension. Chemical and isotopic data suggest the Macquarie Arc volcanics and intrusions are intraoceanic and therefore developed on primitive oceanic crust. However, features such as the Arc's longevity, multiple magmatic phases, and no provenance mixing with flanking coeval craton-derived turbidites and black shales indicate differences from modern intraoceanic arcs. The paleogeographic setting and magmatic evolution of the Macquarie Arc facilitated the deposition of porphyry-related, Au-Cu rich deposits in the Ordovician and Early Silurian (Glen et al, 2012).

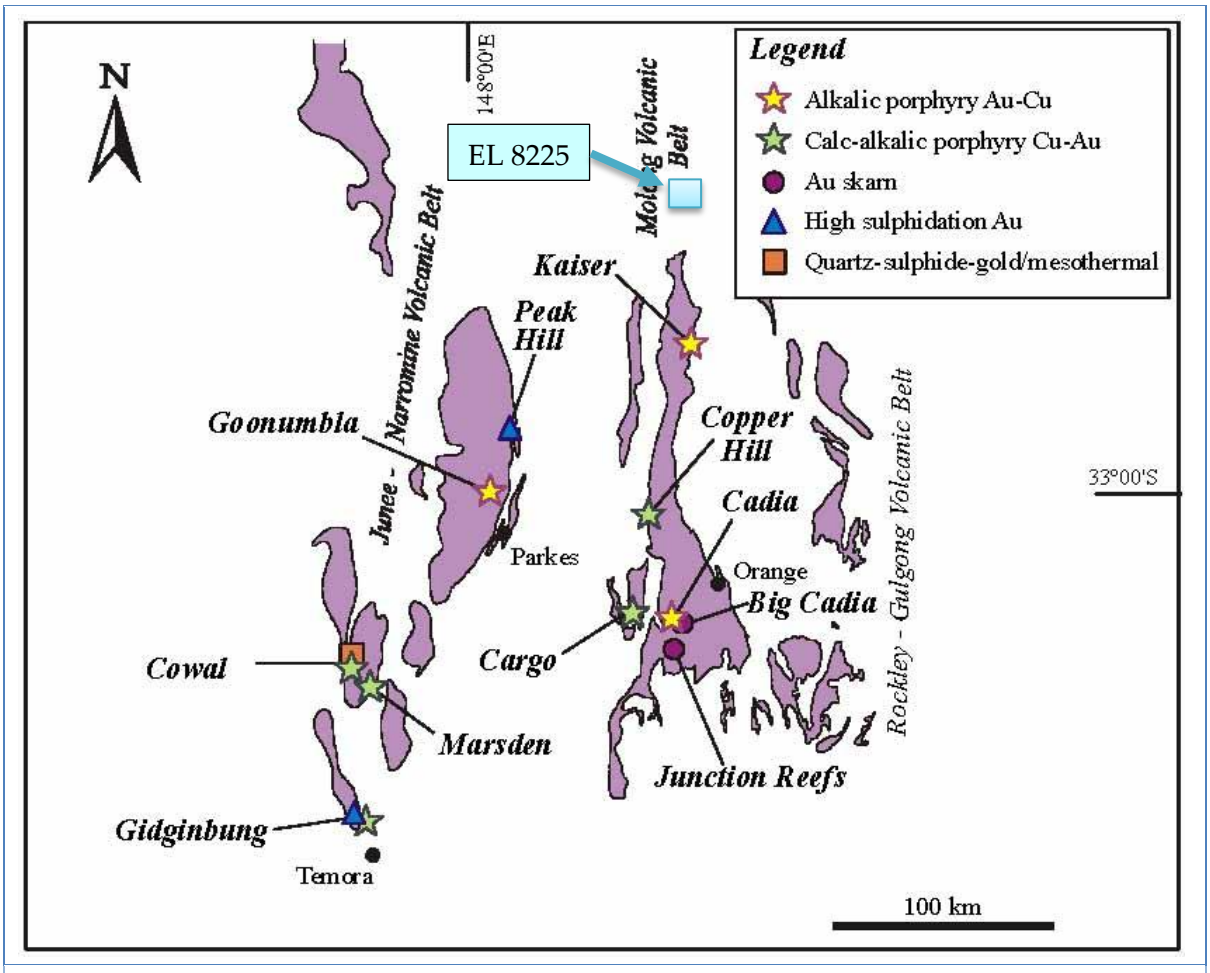


Figure 24 : Elements of the Macquarie Arc

Purple : Ordovician Volcanics (after Wilson, 2003)

3.2.3 Project Geology

The surface geology of the Looking Glass project as mapped on the Gilgandra 1:250,000 geology sheet (Figure 25) comprises Quaternary unconsolidated valley-fill (Qa), Tertiary volcanics (Tv), Tertiary basalt (Tb) and Jurassic Pilliga Sandstone (Jp) of the Surat Basin in the project area. Triassic and Permian sediments of the Gunnedah Basin occur outside the

area of immediate interest. However, it is the basement geology, interpreted to be equivalent to the Molong Volcanic Arc, which is being targeted for porphyry Copper – Gold mineralisation (Holliday, 2015).

The cover sequence of the Looking Glass area comprises the southern margins of the Jurassic-Cretaceous Surat Basin (part of the Great Australian Basin), and possibly the western margins of the Permian-Triassic Gunnedah Basin (Tadros, 1993; Hawke and Cramsie, 1984).

Interpretation of geophysics data – particularly magnetic data - enables the nature of the basement north of the Molong Arc outcrop to be speculated (Figure 26). Interpretation of airborne magnetic data of the Gilgandra 1:250,000 sheet area indicates the Molong Arc continues northwards under and beyond the Warrumbungle Mountains to where EL8225 covers a significant magnetic feature under the Goorianawa Valley (Figure 27). The thickness of the cover rocks is poorly known, but is estimated to be 300-500m based on water bore data and limited regional stratigraphic drilling. The airborne data over the area is old (1960's vintage), widely-spaced (1500m) and thus of limited use for modern day detailed exploration. The covered Molong Arc continuation has never been explored northwards beyond the Mendooran area and certainly not in the area of EL8225 (Holliday, 2015).

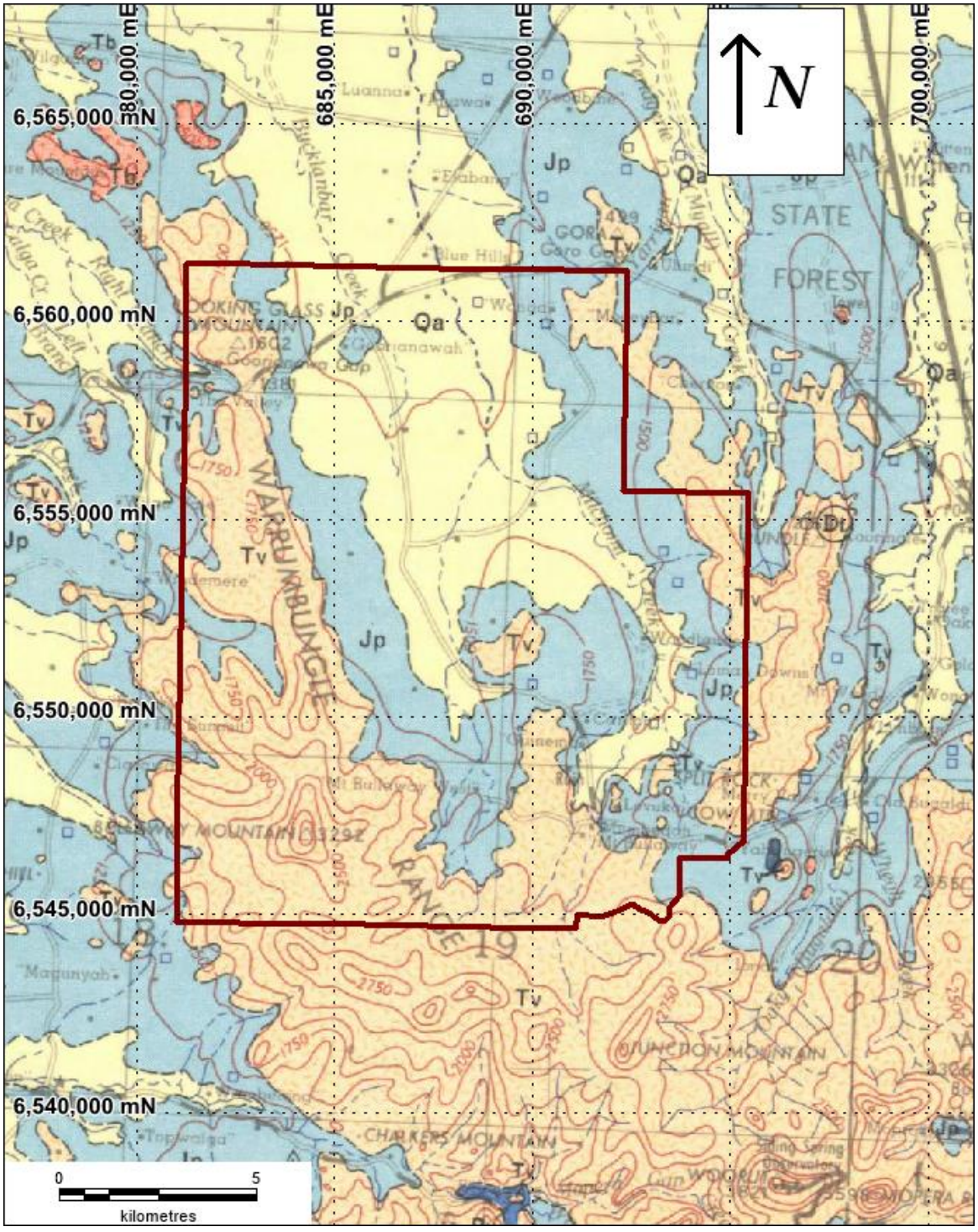


Figure 25 : Looking Glass Surface Geology

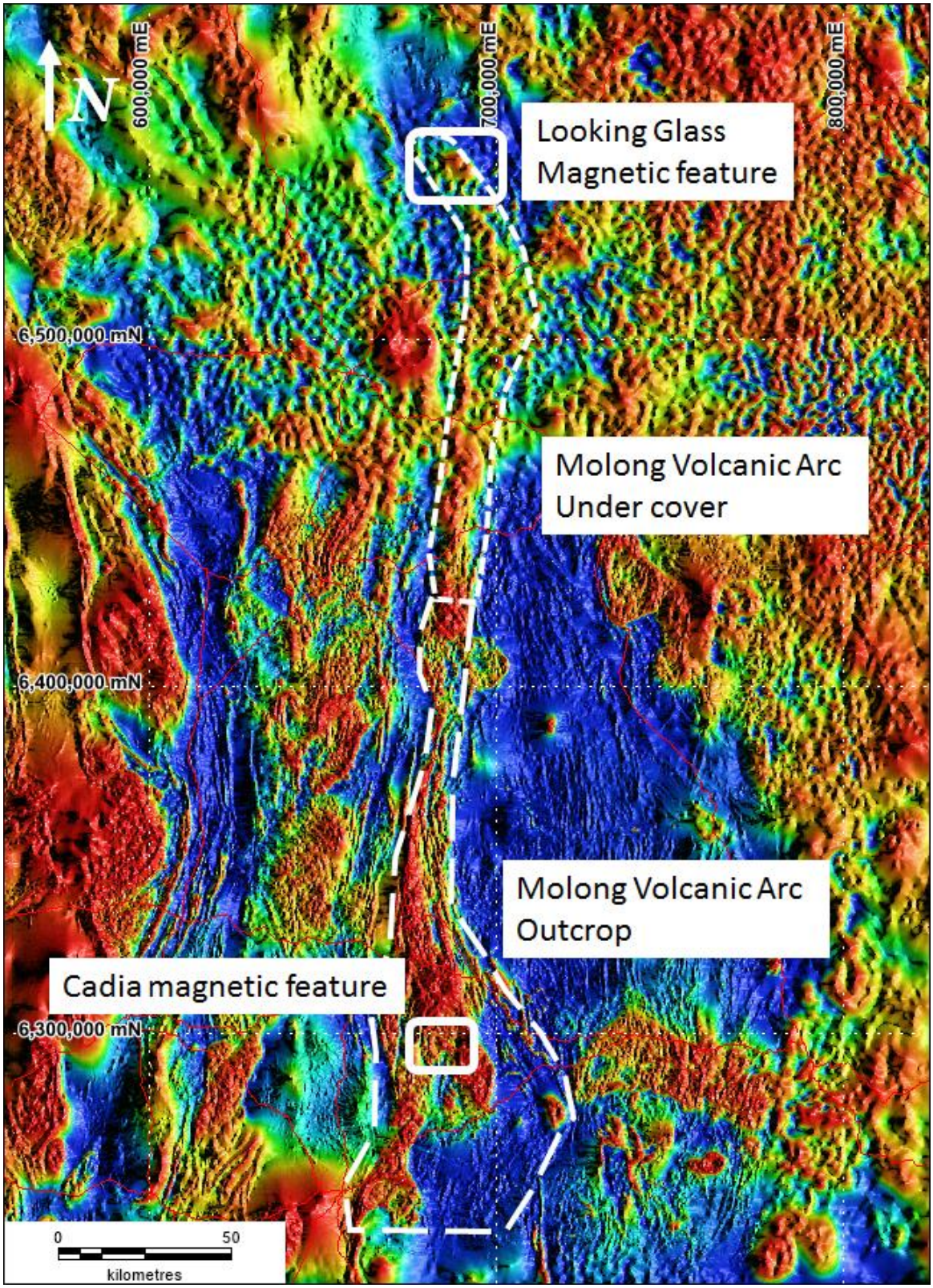


Figure 26 : Molong Volcanic Arc - Regional magnetics

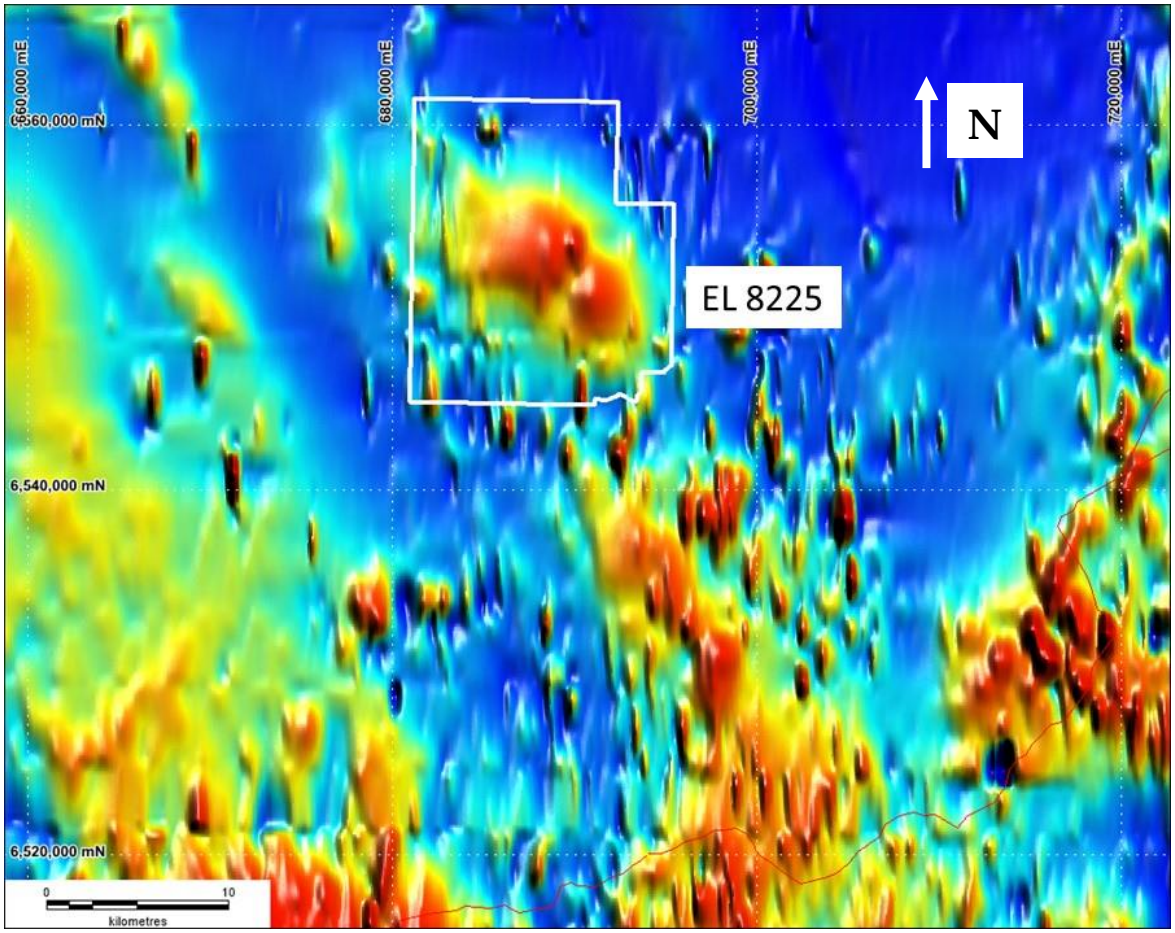


Figure 27 : Looking Glass area - Regional magnetics

3.3 Past and Recent Exploration

3.3.1 Previous Exploration of the Looking Glass Project

There has been no previous exploration of the Looking Glass area targeting the basement rocks for gold or base metal mineralisation. Minor exploration for alluvial gold and precious stones in leads under Tertiary volcanics was conducted during the 1990's under EL's 3268 and 4487, which lay on the north-east of EL8225 (Holliday, 2015).

Regional geophysical datasets have been collected by the NSW Geological Survey. The regional magnetic data over the northern Gilgandra 1:250,000 sheet area is very old (1960's) and wide-spaced (1500m). Thus these data are inadequate for use with modern modelling methods. However, the size and broad scale nature of the Looking Glass anomaly indicates it is likely to be a basement feature (Figure 27). Smaller, spotty anomalies are likely to be derived from Tertiary basalts in the cover sequence. The gravity data reveal a broad low in the Looking Glass area but the data points are very widely spaced at ~11km (Holliday, 2015).

NSW Geological Survey studies of the Gunnedah Basin (Tadros, 1993) included stratigraphic drilling on an east-west traverse passing roughly 30 kilometres to the north of EL8225. The nearest hole on this traverse, Baradine West 1, intersected undifferentiated, sub-Basin, Palaeozoic metasediments at 377m depth. The hole passed through Quaternary alluvium, Cretaceous Rolling Downs Group, then Jurassic sequences including Pillaga Sandstone, and Triassic Napperby Formation before hitting basement (Holliday, 2015).

In 2009, Santos QNT Pty Ltd drilled well Tenandra 1 (PEL450) to explore for coal seam gas ~3km west of the south-west corner of EL8225 (Figure 29). This well intersected Palaeozoic basement, described as "fissile grey shale interbedded with fine to very fine sandstone", from 741m to 863.5m (TD). The final 12m of the well was cored and described as "steeply dipping, sandy, cleaved metasediment (phyllite) with fractures and veining". Based on interpretation of the magnetic data, this well is thought to have intersected a down-faulted basement block, part of the Tooraweenah Trough (Figure 28), whereas EL8225 is believed to be an up-faulted basement block, part of the Baradine High (Holliday, 2015).

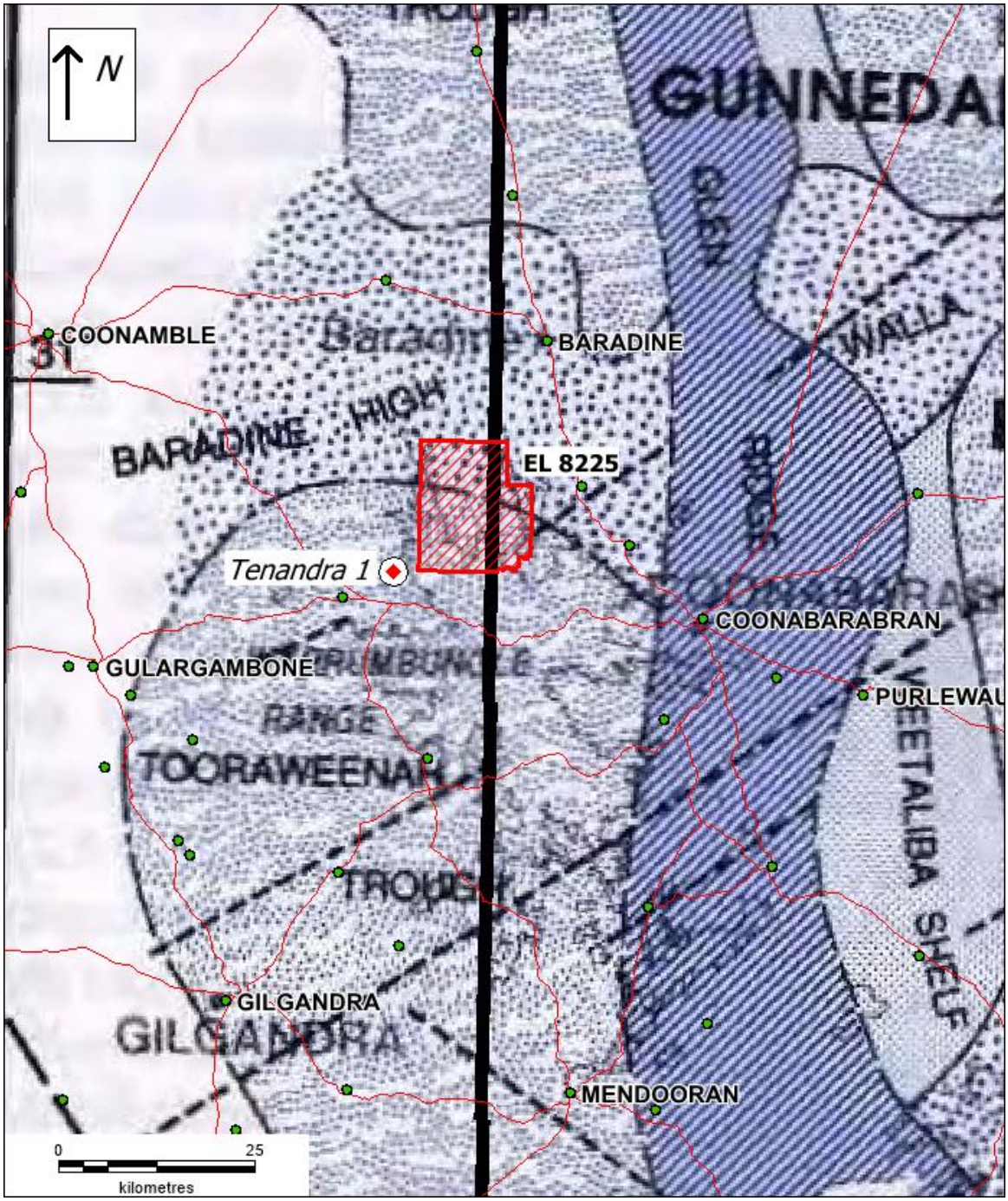


Figure 28 : Structural subdivisions of the Gunnedah Basin

3.3.2 Recent Exploration at Looking Glass Project by AQH

The following work has been undertaken on EL 8225 ("Looking Glass") by AQH:

1. Landholder and community liaison (in progress)
2. Geological review
3. Geophysical interpretation
4. Water bore data compilation
5. Airborne magnetic and radiometric surveying
6. Interpretation of airborne magnetic and radiometric data

3.3.2.1 Geological Compilation

EL8225 covers the Goorianawa Valley, which is a broad acre grazing and cropping farming area. A program of close community liaison has been undertaken prior to flying an aeromagnetic survey and any follow-up drilling. This has included a community meeting hosted by local graziers in January, 2015 at which the exploration rationale and proposed activities were explained (Holliday, 2015).

Information on both the cover and basement geology and depth to basement was sought from both water bore data and regional geology studies (Holliday, 2015).

The outcropping cover sequence in the area comprises the southern margins of the Jurassic-Cretaceous Surat Basin (part of the Great Australian Basin), and possibly the western margins of the Permian-Triassic Gunnedah Basin (Tadros, 1993; Hawke and Cramsie, 1984). Basement is interpreted to be Palaeozoic rocks under the Gunnedah Basin. Both basins contain significant groundwater resources, hence the area of EL8225 and its surrounds contains many water bores (Figure 29). Examination of the NSW water bore database was carried out by AQH. This revealed that no bores within EL8225 penetrated to Palaeozoic basement. The deepest bore terminated at 213m in the cover sequence. However, a bore located 3km north of the northern boundary of EL8225 (Figure 29) penetrated possible basement at 469m - "bedrock" in the drillers log (Holliday, 2015).

AQH consider it likely that any drilling within EL8225 will intersect basement at between 300 and 600m after penetrating a sequence of Jurassic and Triassic sediments unless there is an unknown structural feature that brings basement even closer to surface. This is considered unlikely, but it is possible, as evidenced by the small basement window outcrop that occurs adjacent to Scabby Rocks only 20 kilometres east of EL8225 (Holliday, 2015).

3.3.2.2 Magnetic Survey & Interpretation

The historic government magnetic data was considered inadequate for a quality basement interpretation and drillhole targeting (Holliday, 2015). A close spaced (250m) magnetics and radiometrics survey has been completed over the licence.

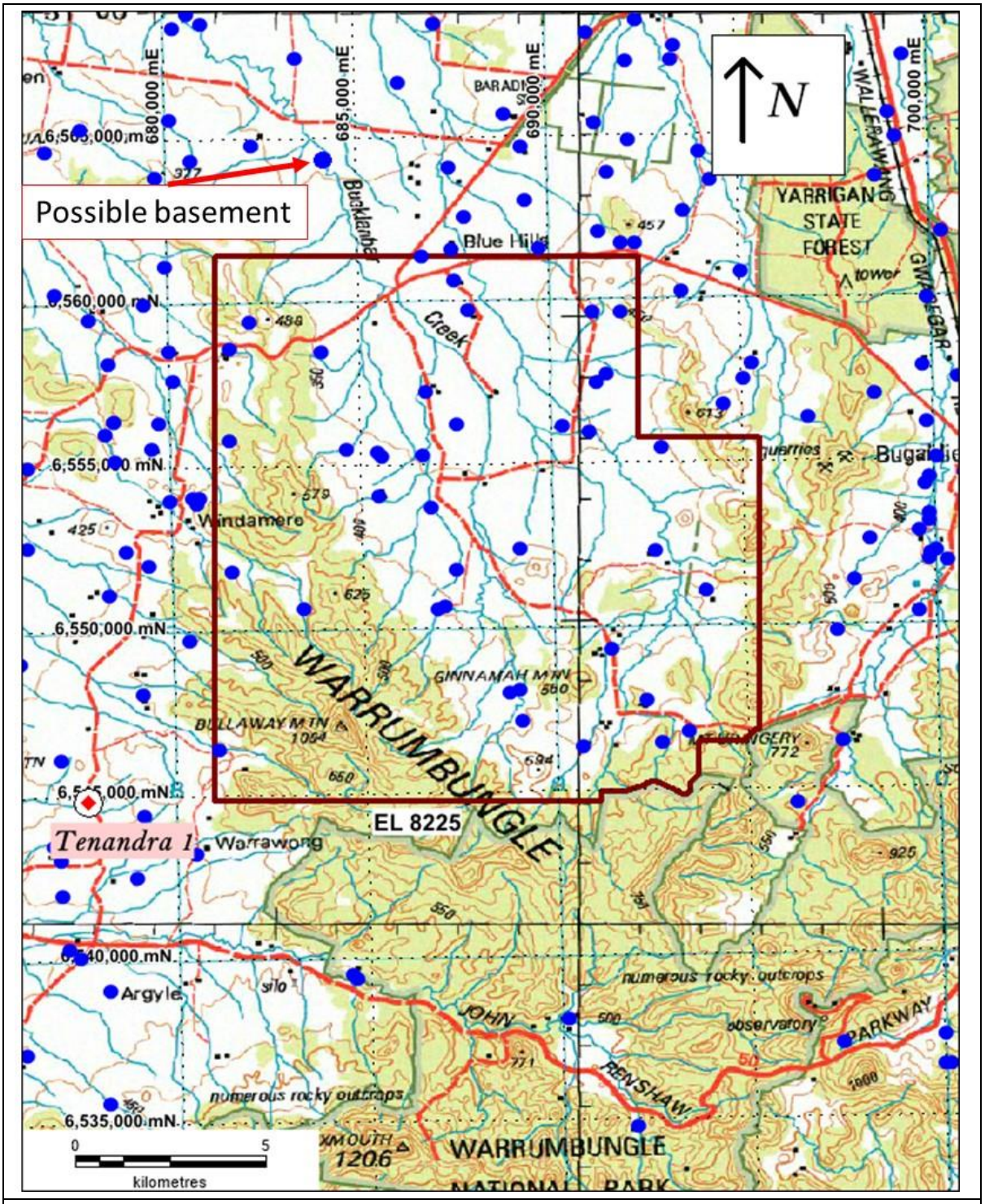


Figure 29 : Looking Glass – water bores & CSG well

An aeromagnetic and radiometric survey was flown by Thompson Aviation in February 2015 with the following specifications (Table 10).

Description	Specification
Terrain clearance	~75m average
Traverse line direction	90°
Traverse line spacing	250 m
Tie line direction	180°
Tie line spacing	1250 m / 2500 m
Block Traverse	931 line km
Block Tie	176 line km
Block Total	1,107 line km

Table 10 Airborne magnetics survey specification

The grid and line data were reprocessed by Tensor Research to produce a suite of images that were used to help separate the anomalies within the Looking Glass complex and a subset of those are shown in Figure 30 (Tensor Research, 2015).

Initially, interpretation of the depth to the magnetic targets was undertaken. Applying geological context to the depth modelling helped constrain the interpretation and define the priority targets within the Looking Glass magnetic complex. The depth interpretation was then encoded by the formation in which they terminate to determine basement targets. These basement targets are Formations 1 and 2 (dark blue & light blue) on Figure 31. The shallower targets are interpreted as either Triassic-Jurassic or Tertiary in age (Tensor Research, 2015).

Prioritisation of the magnetic targets for drill testing is currently being conducted (Holliday, pers. comm.)

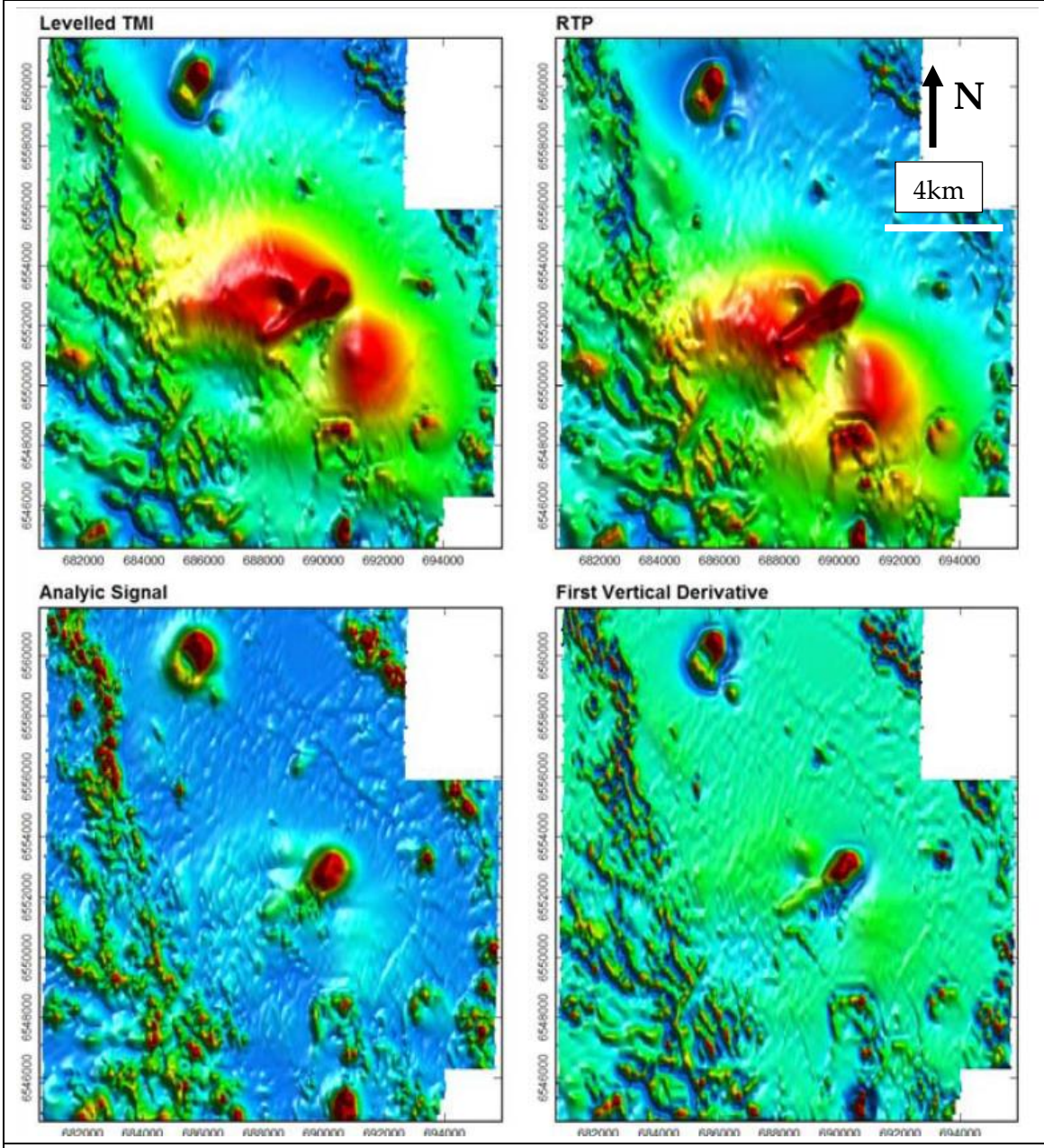


Figure 30 : Looking Glass – images of magnetic data
(after Tensor Research, 2015)

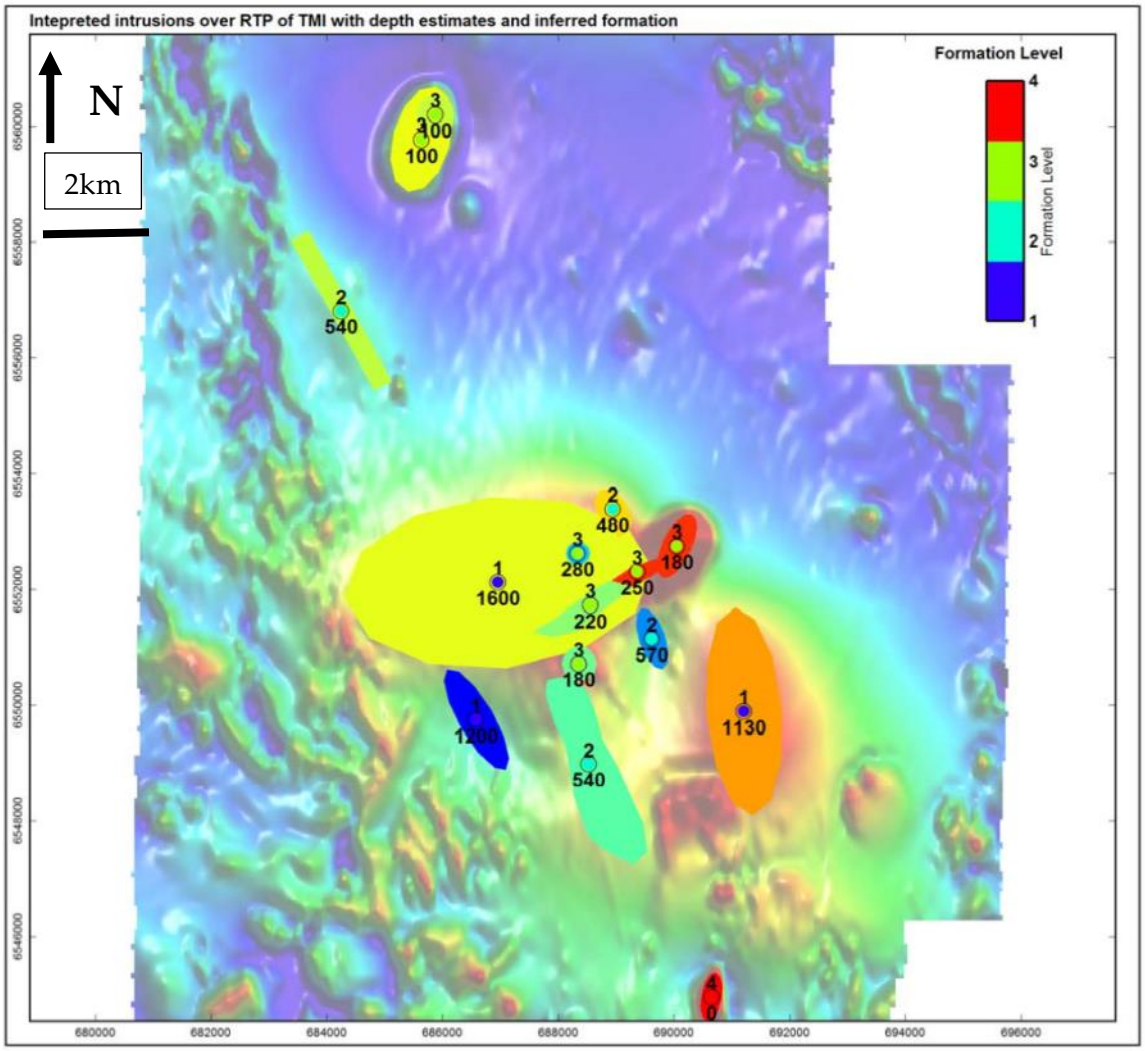


Figure 31 : Looking Glass – Depth to magnetic source & classification
(after Tensor Research, 2015)

3.4 Exploration Potential at Looking Glass Project

Based on the compilation of historic data and modelling of magnetic data, AQH believes, and the author of this report concurs, that the Looking Glass Project does have exploration potential and warrants further exploration.

AQH have proposed a combined reverse circulation (RC) / diamond drilling program of approximately 1,400m at Looking Glass (see Section 3.5) which is considered by the author to be a good test of the identified magnetic anomaly.

3.5 Exploration Program and Budgets

AQH has advised that it have developed a two-year forward looking exploration program and budget. The program will comprise drill testing of a deep magnetic feature (Table 11).

Specifics of the program are:

1. Continue community liaison
2. Application for a NSW Government New Frontiers Cooperative Drilling Grant
3. Drilling – one 700m RC/core hole is proposed to test the potential porphyry carapace zone in the basement rocks above one of the deep magnetic features.
4. Rehabilitation of drill site

The exploration plan for the Looking Glass Project is to apply for a NSW Government New Frontiers Cooperative Drilling Grant when the invitation to apply comes out on 15 November, 2015. AQH and CUU believes this project would qualify as a New Frontier project but success with the application cannot be assured. However, the budget assumes success such that CUU will only have to part fund the drilling.

The expenditure planned for Year 1 will satisfy the two year expenditure commitment for the tenement. Thus, AQH and CUU propose to thoroughly evaluate the results from the drilling of the first hole before any other work on the tenement would be considered.

Expenditure Exploration	Year 1	Year 2	Total
Exploration Drilling (inc. mobilisation/demobile, survey)	$70,000		$70,000
Sample analysis	$12,000		$12,000
Field Geology (inc. drilling supervision, core logging)	$10,000	$4,000	$14,000
Office Geology and Reporting	$3,000	$1,000	$4,000
Geophysics (airborne and ground)			
Access and Heritage (inc. heritage surveys)	$2,000	$1,000	$3,000
Environmental (inc. rehabilitation & bonds)	$2,000	$1,000	$3,000
Tenement Cost & Compliance (inc. tenement rents)	$3,000	$3,000	$6,000
Office & Admin	$35,250	$3,000	$38,250
Sub Total	**$137,250**	**$13,000**	**$150,250**
Contingency (10%)	$13,725	$1,300	$15,025
Grand Total	**$150,975**	**$14,300**	**$165,275**

Table 11 Proposed Budget for Looking Glass Project

3.6 Potential Liabilities and Risks

As noted in Section 1.1, H&SC has not been requested to provide an Independent Valuation or detailed Risk Assessment but it should be noted that greenfields exploration is a high risk venture. AQH's Looking Glass tenement is in the early stages of exploration and requires significantly more work to ascertain if there are mineral resources and ultimately an ore reserve. Even if a resource were to be identified, other issues including ongoing funding, adverse government policy, geological conditions, commodity prices or other technical difficulties may result in a resource not being economically viable.

The following were noted during review of the Looking Glass Project as potential risks:

- Siding Springs Observatory – an exclusion zone around the observatory located in the Warrumbungle National Park has been declared to prevent any light pollution. As noted in the Tenement Report (Section 8), approximately 46% of EL 8225 is within four Mining Reserves that existed at the date of grant. This could impact on any future exploration or mining activities – particularly night shift.

It should be noted however, that H&SC makes no other assessment to potential liabilities and risks that relate, but not limited to, legal, financial, company, reliance on key personnel, or general exploration success. For other potential liabilities and risks the reader is directed to refer to the Investment Overview and Tenement Report elsewhere in the main Prospectus.

4 Citations and Bibliography

Alice Queen Holdings, 2015. Kauraru Gold Announcement - channel / rock chip sampling program at Ngurupai (Horn Island).

Arthur, D., 1936. Report on 80-acre lease at Horn Island Gold Field. Tyrconnell Gold Mines, NQ.

Black, L.P., Bultitude, R.J., Sun, S.S., Knutson, L and Blewett, R.S., 1992a. Emplacement ages of granitic rocks in the Coen Inlier (Cape York): implications for local geological evolution and regional correlation, BMR Journal of Australian Geology and Geophysics, Vol 13, pp 191-200.

Black, L.P., Bultitude, R.J., Sun, S.S., Knutson, L and Blewett, R.S., 1992b. U-Pb analytical results for granitic rocks from the Coen Inlier, North Queensland, Record No. 1992/64, Australian Geological Survey Organisation, Canberra.

Bold, A.D. and Layden, C.E., 1981. Authority to prospect 2222M report on activities for the period 9th October 1980 to 8th April 1981. Jimbilly Pty Ltd. July 1981. Queensland Department of Natural Resources and Mines, QDEX Report, CR 8948.

Bold, A.D. and Layden, C.E., 1982. Final report. Authority to prospect 2222M. Jimbilly Pty Ltd. January 1982. Queensland Department of Natural Resources and Mines, QDEX Report, CR9844.

Champion, D.C. and Bultitude, R.J., 2013. Chapter 6. Kennedy Igneous Association in Jell, P.A., Geology of Queensland, Geological Survey of Queensland.

Denaro, T.J. 1997a. Known mineralisation and resources, Bulletin of the Australian Geological Survey Organisation, Vol. 240, pp 138-41.

Denaro, T.J. 1997b. Mineralisation and known resources, Bulletin of the Australian Geological Survey Organisation, Vol. 240, pp 163.

Duggan, D.M., 1987a. Horn Island Project A to P 3352M. Six monthly report to 29th March, 1987. AuGold N.L. June 1987. Queensland Department of Natural Resources and Mines, QDEX Report, CR 16246.

Duggan, D.M., 1987b. A to P 3352M Horn Island Project. Six monthly report to 29th September, 1987. AuGold N.L. December 1987. Queensland Department of Natural Resources and Mines, QDEX Report, CR 17809.

Fleming, G.J. & Walker, M.D., 1985a. Horn Island JV Project. Authority to prospect 3352M Six monthly report to Queensland Mines Department 30th March, 1984 to 29th October, 1984. Seltrust Mining Corp. Pty Ltd. January 1985. Queensland Department of Natural Resources and Mines, QDEX Report, CR 14170.

Fergusson, C. L., & Coney, P. J., 1992. Convergence and interplate deformation in the Lachlan Fold Belt of southeastern Australia. *Tectonophysics*, pp. 417-439.

Fleming, G.J. & Walker, M.D., 1985b. Horn Island JV Project. Authority to prospect 3352M Six monthly report to Queensland Mines Department 30th October, 1984 to 29th March, 1985. Seltrust Mining Corp. Pty Ltd. April 1985. Queensland Department of Natural Resources and Mines, QDEX Report, CR 14171.

Foster, D. A., & Gray, D. R., 2008. Paleozoic crustal growth, structure, strain rate, and metallogeny in the Lachlan orogen, eastern Australia. *Arizona Geological Society Digest 22*.

Giant Resources, 1988. Giant Resources Annual Report 1988.

Glen, R. A., 2005. The Tasmanides of eastern Australia. *Terrane Processes at the Margins of Gondwana. Special Publication of the Geological Society, London 246*, 23-96.

Glen, R. A., Quin, C.D., and Cooke, D.R., 2012. The Macquarie Arc, Lachlan Orogen, New South Wales: its evolution, tectonic setting and mineral deposits. *Episodes, Vol. 35, No. 1*, pp 177-186.

Gray, D. R., 1997. Tectonics of the southeastern Australian Lachlan Fold Belt: structural and thermal aspects, In J. P. Burg, & M. Ford (Ed.), *Orogeny Through Time. Geological Society Special Publication No. 121*, pp. 149-177.

Gray, D. R., Foster, D. A., & Bucher, M., 1997. Recognition and definition of orogenic events in the Lachlan Fold Belt. *Australian Journal of Earth Sciences 37*, pp. 331-349.

Hawke, J.M. and Cramsie, J.N. 1984. Contributions to the geology of the Great Australian Basin, New South Wales, Geological Survey of NSW, Mineral Bulletin 31.

Hills, J.H., 1986. Horn Island A to P 3352M. Report for six months ended 29 September, 1986. AuGold N.L. (Queensland Department of Natural Resources and Mines, QDEX Report, CR 16245.

Holliday, J., 2014a. Horn Island Project, Collaborative Drilling Program Submission. Kauraru Gold Pty Ltd.

Holliday, J., 2014b. Horn Island Project, Results of channel / rock chip program. Kauraru Gold Pty Ltd.

Holliday, J., 2015. First Annual Report to 6 January 2015, EL 8225, Looking Glass Project, Monzonite Metals Pty Ltd / Alice Queen Holding Pty Ltd, NSW Department of Trade & Investment, Division of Resources & Energy, Report No GS2015/297 (confidential).

Jackson, C.F.V., 1902. Report on a visit to the west coast of the Cape York Peninsula and some islands of the Gulf of Carpentaria. Geological Survey of Queensland, Publication 180.

Kirk, B.I., 1988. A Report of Exploration on Authorities to Prospect No. 3352M, 4273M and 4609M for the Twelve Month Period Ended 29th September, 1988, Torres Strait Gold Pty Ltd, Queensland Department of Natural Resources and Mines QDEX Report CR 21684

Levy, I.W., 1987. Surficial Gold Resources at Horn Island Gold Mine, Torres Strait, North Queensland. Giant Resources Pty Ltd.

Levy, I.W. and Storey, N.J.M., 1990. Horn Island Gold Deposit in Geology of the Mineral Deposits of Australia and Papua New Guinea (ed. F.E. Hughes), the Australasian Institute of Mining and Metallurgy, pp 1451-1454.

Lord, J.R., 1987. Authority to Prospect No.4273M "Prince of Wales Island", Report for 6 months ended April 21, 1987. Carpentaria Exploration Company Pty Ltd. Technical Report No. 1471. Queensland Department of Natural Resources and Mines QDEX Report, CR 17188.

Lord, J.R., & Shalley, M.J., 1987. First six months report on A to P 4273M "Prince of Wales". For Carpentaria Exploration Company Pty Ltd. Technical Report No. 1469. Queensland Department of Natural Resources and Mines QDEX Report, CR 17187.

Precious Metals Engineering Pty Ltd, 1987. Horn Island Project Feasibility Study.

Richards J.R. and Willmott, W.F., 1970. K-Ar age of biotites from Torres Strait, Australian Journal of Science, Vol 32, pp369-70.

Richards, D.N.G, O'Rourke, P.J., & Roderick, S., 1970. Annual and final report, Authority to Prospect No. 580M, Torres Strait Islands. Noranda Australia Ltd. Report No.135. June 1970. Queensland Department of Natural Resources and Mines, QDEX Report, CR 3145.

Richards, J.R., 1971. Appendix 2, Isotopic age determinations, Torres Strait, Record no. 1971/94, Bureau of Mineral Resources, Australia, Canberra, pp 136-8.

Santos QNT Pty Ltd & earth Resources Australia Pty Ltd, 2009. Well Completion Report, Tenandra 1, PEL 450 Gunnedah Basin, July 2009, NSW Department of Trade & Investment, Division of Resources & Energy, Report No GS2010/378.

Tadros, N.Z. 1993. The Gunnedah Basin, New South Wales, Geological Survey of NSW, Geology Memoir 12.

Tensor Research, 2015. Looking Glass – Magnetic Depth Interpretation, Report for Alice Queen Holdings

Treasure, P.A., 1986. Horn Island Gold Project 1985 exploration programme. AuGold N.L. February 1985. Queensland Department of Natural Resources and Mines, QDEX Report CR 15860.

Von Gnielinski, F.E., 1996. Regional Geology, Exploration, Development and Failure of the Horn Island Gold Mine and its Environmental Clean-Up. Master of Science Thesis, James Cook University.

Walker, M.D., 1983. Horn Island JV Project Authority to prospect 3352M Six monthly report to Queensland Mines Department 1st April, 1983 to 29th Sept, 1983. Seltrust Mining Corp. Pty Ltd. October 1983. Queensland Department of Natural Resources and Mines, QDEX Report CR 12628.

Walker, M.D., 1984. Horn Island JV Project Authority to prospect 3352M Six monthly report to Queensland Mines Department 30th Sept, 1983 to 29th March, 1984. Seltrust Mining Corp. Pty Ltd. March 1984. (Queensland Department of Natural Resources and Mines, QDEX Report CR 13107.

Whitcher, I.G. 1966. Drainage reconnaissance Torres Strait Islands. C.R.A. Exploration Pty Ltd. August 10, 1966. Queensland Department of Natural Resources and Mines, QDEX Report CR 2464.

Willmott, W.F., Palfreyman, W.D., Trail, D.S., and Whitaker, W.G., 1969. The igneous rocks of Torres Strait, Queensland and Papua. Bureau of Mineral Resources, Australia, Record 1969/119 (unpublished).

Willmott, W.F., Whitaker, W.G., Palfreyman, W.D., and Trail, D.S., 1971. Igneous and metamorphic rocks of Cape York Peninsula and Torres Strait, record no. 1971/94, Bureau of Mineral Resources, Australia, Canberra.

Willmott, W.F., Whitaker, W.G., Palfreyman, W.D., and Trail, D.S., 1973. Igneous and metamorphic rocks of Cape York Peninsula and Torres Strait. Bureau of Mineral Resources, Australia, Bulletin 135.

Willmott, W.F., and Powell, B.S., 1977. Torres Strait – Boigu – Daru 1:250,000 Geological Series Explanatory Notes. BMR and Geological Survey of Queensland.

Wilson, A. J., 2003. The geology, genesis and exploration context of the Cadia gold-copper porphyry deposits, New South Wales, Australia. Ph.D. University of Tasmania.

5 APPENDICIES

Appendix 1: Review Of Previous Exploration

Horn Island

GML 33 - C.E. Peverill

Walker (1983) noted that in the 1950's and early 1960's some of the old workings were cleaned out and enlarged with Peverill concentrating on the "Welcome" open pit and a smaller pit and shaft near his house. In 1960, the prospect was optioned to Becker who undertook bulk sampling in the "Welcome" pit. Van Gnielinski (1996) reported that in 1961 Peverill excavated some ore for assay and testing by the CSIRO. No results are reported.

Enterprise Exploration Company Pty Ltd

Investigations on gold fields on Horn and Possession Islands and copper occurrences on other Torres Strait islands was undertaken in 1957. On the basis of this reconnaissance investigation, no further work was recommended (Richards et al, 1970).

AtP 184M New Consolidated Gold Fields (Australasia) Pty Ltd

The company was granted AP 184M covering 1,150 square miles in 1962. The Horn Island gold field was visited, further work was recommended but this recommendation was later rejected (Richards et al, 1970).

GML 33 - Australian Selection Pty Ltd

In 1963 Australian Selection Pty. Ltd. completed a detailed geological, geochemical and geophysical study of the Horn Island Goldfield (Peverill's Lease). They targeted an ore body of at least 500 tons/vertical foot (1,600t/vert m) and a minimum grade of 10 dwts/ton (15.3 g/t). Three diamond drill holes were drilled for 782 feet (238m). It was found that the best gold values occurred in the main quartz-sulphide reefs and veins. However, these values were not persistent along strike and very little gold was contained in the pyrite which was disseminated in small fractures and shears throughout the adjacent rock. The option agreement under which the work was done was terminated (Richards et al, 1970).

AtP 314M - CRA Exploration Pty Ltd

In 1966, CRAE carried out a drainage sampling program over ten Torres Strait islands, including Horn Island, because the area was rated as a possible target for porphyry copper deposits (Whitcher, 1966). A total of 121 samples were taken and -80# material was analysed for Pb, Ag, Zn, Cu, Cd, Ni, Co and Cr from the islands. The highest recorded copper content came from Moa (Banks) Island. They concluded that the granitic rocks of the area showed no characteristics of porphyry copper type granites.

AtP 580M - Noranda Australia Ltd

Noranda carried out geological mapping and rock chip sampling on AtP 580M to investigate potential gold and base metal mineralisation on five Torres Strait islands - Horn, Hammond, Goods, Possession and Hawkesbury. On all islands except Hawkesbury, extensive areas of alteration were outlined and pyrite was generally present. On Horn Island, 300 rock chip samples and 10 soil samples were collected from the mineralised area of the island. The samples were analysed for Au, Ag, Cu, Pb, Zn and Mo. High background silver and lead results were noted with low copper and zinc results. Gold was detected in all the parallel altered zones. However, follow-up sampling indicated that the silver, gold and base metal contents were very erratic over short distances, and only isolated samples had grades similar to those of the initial survey. Given the erratic grade distribution and low bulk average there seemed no chance of an economic prospect being present and the tenement was relinquished (Richards et al, 1970).

EPM 3292M - Essex Minerals Company

Van Gnielinski (1996) commented that no reports on EPM 3292M covering Friday, Thursday, Horn and Prince of Wales Islands had been received by the then Department of Minerals and Energy. Further, it was stated, due to lack of funds Essex did not carry out any work on their tenure.

AtP 2222M - Jimbilly Pty Ltd / Apollo International Minerals N.L.

Investigations involved geological mapping and geochemical sampling of the auriferous lodes which form the Horn Island Goldfield. Investigations included analysis of enhanced Landsat I Imagery, geological structural analysis of low level aerial photography, field geological mapping & geochemical sampling and literature research (Bold & Layden, 1981).

Geochemical sampling returned several high gold values in the vicinity of the Narupai and Eureka workings but the most significant values were from to the "Welcome" reef and parallel projections. Gold mineralisation in association with sulphides and quartz was defined over a 300+ metre strike length zone at Welcome and was interpreted to be controlled by faulting within and adjacent to the microgranite-granite contact. A diamond drilling program of 1000m was proposed, but not completed. (Bold & Layden, 1982).

AtP 3352M - Jimbilly Pty Ltd / Seltrust Mining Corporation Pty Ltd

Exploration was carried out by Joint Venture partners Seltrust (operator) and Jimbilly. Initially, geological reconnaissance of the AtP was completed. Alteration zones comprising strong quartz veining, silicification, strong pervasive sericite alteration and brecciation were defined mostly within a 4km by 1km N-S zone within the eastern part of the licence. The Horn Island Gold and Mineral Field (GMF) workings constitute one of the alteration zones. An orientation soil survey showed the -425µm fraction of the 'B' soil horizon to best define gold anomalies. Lead and arsenic values showed similar patterns to gold. Soil sampling was carried out over the recognised alteration zones. Results indicated the sample spacing needed to be reduced to enable detailed appraisal. Rock chip sampling of alteration zones showed significant anomalous values at Horned Hill, Welcome Siliceous Breccia, Mangrove

Knoll, old GMF south end Cable Bay Ridge, Southern Silicified Ridge, and South Mangrove. An orientation ground magnetic survey showed no useful trends. Planned work comprised detailed mapping, soil sampling and diamond drilling (Walker, 1983).

In the second reporting period, diamond drilling (7 holes - 523.7m at Horned Hill, Welcome open pit and Cable Bay Ridge), detailed soil sampling and detailed geological mapping were completed. Diamond drilling results were disappointing. Soil sampling over the GMF outlined a 600m by 400m gold anomaly. As noted in the previous report, arsenic values have a similar pattern to gold but lead values were less widespread. This zone was considered to warrant follow up drill testing. Soil sampling at southern Silicified Ridge outlined a 300m by 70m anomalous gold. Additional soil sampling and geological mapping was recommended (Walker, 1984).

In the third reporting period, work comprised completion of geological mapping and sampling over the GMF and the Southern Silicified Ridge (SSR); IP survey of the GMF (10 line km); airtrack percussion (26 holes - 1335m) and diamond drill (4 holes - 513.8m) program over the GMF; and a costean (102m) to test the eluvial plain north of the major workings. The IP survey detected anomalies which were validated by diamond drilling and it was thus considered useful as a target selection tool with other parameters. Airtrack percussion drilling showed gold was associated with quartz sulphide veining beneath the soil and rock anomalies. The diamond drilling provided insights to the style of mineralisation and relationships to lithological contacts. Further testing of the eluvial plain was considered warranted. Also, the north-west extension of the GMF and the SSR area were considered to warrant percussion drill testing (Fleming & Walker, 1985a).

In the fourth reporting period, no field work was undertaken.

AtP 3352M - Jimbilly Pty Ltd / AuGold N.L.

In May 1984, Jimbilly granted a twelve-month option to AuGold N.L. (AuGold) to purchase their prospect and their joint venture on AtP 3352M. AuGold assumed responsibility for the project during March of 1985 from Seltrust and Jimbilly.

AuGold's initial work comprised 3500 metres of percussion drilling (71 holes) focussed on the North-West and Welcome Zones within the GMF. AuGold published a preliminary assessment of 'geological' 'reserves' – Section 2.3.1.3. An independent study of the results was conducted by A.C.A. Howe Australia Pty Ltd – Section 2.3.1.3. A potential alluvial/eluvial resource was also identified (Treasure, 1986).

Duplicate assaying indicated that mineralisation tended to be coarse and erratic in distribution. Trial screen fire assaying demonstrated that ~50% of the gold could be contained in the +200 μm fraction and thus reproducibility of 50 gram fire assay samples could be low. They claimed that intersection averages obtained from duplicate sets were reproducible (within 20%) and considered acceptable for reserve calculations (Treasure, 1986).

A preliminary engineering study was conducted by Fluor Australia Pty Ltd – Section 2.3.1.3. Preliminary metallurgical testing yielded high recovery of 97.5% to a combined gravity and

cyanide extraction processing. The study concluded that a 150,000 tonne per annum treatment system on the currently reserves would be justified (Treasure, 1986).

The objective of the 1986 field program was to extend the known gold resource by proving up additional ore and clarify the geometrical distribution of ore lenses within the known resource. During the period, 85 percussion and 3 diamond drill holes were completed. Mineralization in the North-West Zone was interpreted to occur in a series of lenses dipping to the SE whilst in the Welcome Zone, the mineralization appeared to occur as a steeply dipping stockwork. Drilling showed the mineralization extended over an area of 70 metres by 200 metres - this ~25% of the extent of the old workings. Drill testing has been restricted to a depth of 40 to 50 metres (Hills, 1986).

The 1987 field season commenced with a planned 10,000 metre drilling program. The objectives of the program were the same as for the 1986 program. The diamond drilling was designed to test the vertical extension of mineralization to depths below a proposed open pit. Significant intersections were encountered in all but two of the fourteen holes drilled. Precious Metals Engineering Pty Ltd (PME) was appointed Project Manager of the Horn Island Project in December 1986 to determine the economic viability of the project. The excavation of the trial pit and collection of a bulk sample for process testing was managed by PME. The results of this testing combined with the drill hole database were computer modelled by PME to calculate ore 'reserves' – Section 2.3.1.3.

An initial feasibility study was based on a four year project using mining reserves of 1.6 Mt at 2.4 g/t Au. The flow sheet included the use of a pre-concentration stage (crush to -10mm, pre-concentrate using a heavy media cyclone) which resulted in the head grade of the ore feeding the mill effectively doubling. A final feasibility study was planned (Duggan, 1987a).

In the six months to 29th September, a further 205 holes were drilled - 14 diamond and 191 open hole percussion. In addition to this work, an extensive alluvial/eluvial study was undertaken. Sterilisation drilling was also conducted over areas proposed as the tailings dam, plant site and waste rock dumps. One diamond drill hole was drilled on the Southern Silicified Ridge (60m). A further fourteen holes were drilled for ground water of which three produced the required quantities (Duggan, 1987b). An alluvial/eluvial 'resource' was calculated by Levy (see Section 2.3.1.3)

A joint venture agreement was signed between AuGold and Giant Resources Limited (Giant) in May 1987 to administer and establish the mining operation. The joint venture company -Torres Strait Gold Pty Ltd (TSG) - came into being in June 1987 (Duggan, 1987b).

AtP 4273M - Carpentaria Exploration Company Pty Ltd

CEC selected this area to explore for gold because of known gold on Horn Island and the presence of acid volcanics within the Torres Strait Islands. This was thought to be conducive to a volcanic hosted gold deposit. Stream sediment samples (-80#) from five islands in Torres Strait were collected and analysed for gold and a number of path finders and base metals. The best stream sediment gold anomaly was on Horn Island – west of AtP 3352M. CEC also carried out interpretation of a detailed airborne geophysical survey. The data included total field magnetics and four channels of radiometrics: potassium, uranium,

thorium and total count. Overall flight line spacing was 300 metres, but was closed in to 150m over Horn Island. Mean terrain clearance was 80 metres. Magnetic response is subdued from the volcanics and granites although the north-west structural trend through the Horn Island gold field is apparent. Greenant Hill has the strongest potassium radiometric response. No other significant radiometric anomaly was identified (Lord & Shalley, 1987).

Detailed stream sediment sampling was carried out to follow up the Horn Island anomaly. A north-west trending lode structure was identified as the source of the stream anomaly. Rock chip sampling of this lode (14 samples) intersected anomalous gold along a strike length of 325 metres (width 5 to 10 metres). CEC noted there is a suggestion of a middle dead section with the seven north-west end samples (Lord, 1987).

According to von Gnielinski (1996), the Authority was transferred to Torres Strait Gold Pty Ltd (TSG) in 1988, but no further work was carried out.

AtP 3352M, 4273M & 4609M - Torres Strait Gold Pty Ltd

Stream sediment geochemistry was conducted over the eastern part of Horn Island and detected seven gold anomalies: Narupai, Main Camp, Mystery West, Southern Silicified Ridge- East & West, Northern Southern Silicified Ridge and Dam Catchment. Soils sampling and geological mapping was recommended as a follow up to this work (Kirk, 1988).

Orientation gradient array induced polarisation (IP) surveys across the mine area revealed an anomalous response across the outcrop of the ore zones. Thus surveys were carried out in the mine area, Southern Silicified Ridge and at Cable Bay Ridge. These were used to assist targeting drill follow up (Kirk, 1988).

All stream geochemistry and IP anomalies except Cable Bay Ridge were drill tested with significant results being obtained in the Mystery Reef area, Narupai Reef and the Southern Silicified Ridge (Kirk, 1988).

Appendix 2: Table 1 JORC Code 2012

AQH Horn Island Channel Sampling

(after Holliday, 2014b)

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• The November 2014 rock channel samples were taken by cutting parallel slots 2-3cms deep over an interval of rock face and chipping the central part out in total by hammer and chisel. The channels were oriented orthogonally to observable mineralized structures. • The November 2014 and the 2013 rock chip samples were taken by non-selectively sampling across a section of exposed rock by chipping with a hammer.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• NA
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• NA
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	• Each sample was geologically described. November 2014 sample sites were photographed.

Criteria	JORC Code explanation	Commentary
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• The November 2014 samples were prepared by ALS Townsville to industry standard for rock samples. The rock channel and rock chip samples weighed between 0.7 and 5.56kg. All samples were jaw crushed to a nominal 70% -6mm and if >3.2kg they were riffle split to 3.2kg. Samples were then pulverized to a nominal 85% -70 microns. • The 2013 samples were prepared by Bureau Veritas Perth to industry standard for rock samples – the whole sample was pulverized to a nominal 85% -70 microns.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• The November 2014 samples were assayed by ALS Townsville to industry standard. The samples were assayed for Au by 30g charge fire assay and for 33 other elements by 4 acid ICP-AES. • The 2013 samples were assayed by Bureau Veritas Perth to industry standard. Au was assayed by 40g charge fire assay. • QA/QC procedures included laboratory and client-submitted blanks, and duplicates. The November 2014 samples initially assaying above 15g/t Au were re-assayed by screen fire assay. • The QA/QC procedures have satisfactorily demonstrated the integrity of the sampling and assaying procedures.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Significant higher grade Au results have been verified by duplicate assaying and screen fire assay. • Data was supplied digitally in both pdf and spreadsheet form by the laboratories.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• 2014 Samples were located by GPS to an accuracy of ±2m in GDA94. • 2013 samples were located by GPS to an accuracy of ±10m in AGD66
Data spacing	• *Data spacing for reporting of Exploration Results.*	• See plans for data spacing. Most of the 2014 samples and all of the

Criteria	JORC Code explanation	Commentary
and distribution	• *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	2013 samples were taken on the only accessible benches of the 1980's open pit, which comprise only a very small proportion of that pit. • No compositing applied.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	Channel samples were cut orthogonal to mineralised structures.
Sample security	• *The measures taken to ensure sample security.*	Samples were in the care of Kauraru Gold personnel until freighting to the laboratories. The samples were freighted in calico sample bags within larger tied sacks.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	NA

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	QLD Exploration Permit Minerals 25520 was granted on the 8 October 2014 for five years to the 7 October 2019. The EPM is held by Kauraru Gold Pty Ltd, which is a joint venture company formed between Alice Queen Holding Pty Ltd and the Kaurareg Aboriginal Land Trust. The tenure is secure.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	Extensive exploration, including much shallow drilling, was conducted on the area of EPM 25520 during the 1980's. This is documented in reports available via the QLD Qdex system, but much of the drilling assay information is lost. The 1980's drilling led to the establishment of a significant shallow open-cut mining operation, with the now water-filled pits covering an area roughly 650x350m. Past exploration information is insufficient to enable assessment of sampling and assaying quality, so therefore has to be considered to be of non-JORC standard. However, the past information does demonstrate the presence of a large area of Au mineralisation. There has been no exploration since 1989 until this presently reported rock sampling program because until the granting of EPM 25520 the area was under a moratorium on exploration to enable environmental rehabilitation from the 1980's mining work.
Geology	• *Deposit type, geological setting and style of mineralisation.*	Au deposit of uncertain genetic type. Au occurs in veins, breccias and structures in association with sulphides of Zn, Pb and As in granites and ignimbrites of Carboniferous-Permian age.

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*
	  ○ *dip and azimuth of the hole*
	  ○ *down hole length and interception depth*
	  ○ *hole length.*
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from*
		NA

Criteria	JORC Code explanation	Commentary
	the understanding of the report, the Competent Person should clearly explain why this is the case.	
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	NA
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	Channel sample widths are close to true mineralised structure widths.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Plans attached.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	NA
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	NA
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	Drilling is planned to test under the previously shallow-mined mineralisation.

The information in this report that relates to Exploration Results is based on information compiled by Mr John Holliday, a Competent Person who is a member of the Australian Institute of Geoscientists. Mr Holliday is a director of Alice Queen Holding Pty Ltd and Kauraru Gold Pty Ltd. Mr Holliday has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Holliday consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

APPENDIX E

AMC's Independent Technical Specialist Report

AMC Consultants Pty Ltd
ABN 58 008 129 164

Level 21, 179 Turbot Street
BRISBANE QLD 4000
AUSTRALIA

T +61 7 3230 9000
F +61 7 3230 9090
E amcbrisbane@amcconsultants.com
W amcconsultants.com

Report

Horn Island and Looking Glass ITSR for IER
Nexia Melbourne Pty Ltd

AMC Project 315028
7 July 2015

7 July 2015

The Directors
Nexia Melbourne Pty Ltd
Level 18, 530 Collins Street
Melbourne VIC 3000

Horn Island and Looking Glass ITSR

Dear Directors

Callabonna Resources Limited (Callabonna) has appointed Nexia Melbourne Pty Ltd (Nexia) to prepare an Independent Expert Report (IER) to accompany a Notice of Meeting, which will be circulated to the shareholders of Callabonna in relation to the proposed issue of 110,700,298 (post consolidation) shares by Callabonna as consideration for the acquisition of 100% of the share capital of Alice Queen Holding Pty Ltd. AMC Consultants Pty Ltd (AMC) understands that Callabonna has entered into a binding agreement to purchase 100% of the share capital of Alice Queen Holding Pty Ltd (Alice Queen) (Proposed Transaction).

Nexia has instructed AMC Consultants Pty Ltd (AMC) to prepare an Independent Technical Specialists Report (ITSR) for inclusion in the IER. AMC's ITSR will be used by Nexia to prepare the IER and will be appended in full to the IER.

The Mineral Assets comprise Alice Queen's interest in the following exploration tenements (Alice Queen Tenements):

- The Horn Island exploration project (Horn Island Ngurupai Project), currently held by Kauraru Gold Pty Ltd (Kauraru Gold) and managed by Alice Queen (which owns 84.5% of Kauraru Gold), subject to an agreement for Callabonna to purchase the project. The project includes a granted exploration permit for minerals (EPM 25520) located over and adjacent to an abandoned gold mine on Horn Island in Torres Strait in Queensland. The EPM covers gold mineralisation for which there are historical resource estimates. The estimates have not been classified and reported in accordance with the 2012 JORC Code[1] (the JORC Code). It is uncertain that following evaluation or further exploration, the historical estimate will be reported as a Mineral Resource in accordance with the JORC Code.
- The Looking Glass exploration project (Looking Glass Project) is held by Monzonite Metals Pty Ltd (Monzonite), which is 90% owned by Alice Queen. The project includes a granted exploration licence (EL 8225) located in the central west region of New South Wales, approximately 300 km north-west of Sydney.

Based on Nexia's instruction to AMC and the information provided, AMC has prepared the ITSR, which provides an exploration valuation (Valuation) for consideration by Nexia. AMC presents the ITSR, which follows in the form of:

- A description of the Mineral Assets
- A summary of technical inputs into the Valuation
- Valuation of the exploration properties
- Qualifications

For exploration properties, it is not possible to develop production and cost estimates with sufficient confidence to provide a reasonable basis for valuation. AMC has therefore considered other methods to value the exploration properties. These methods are commonly used in Australia to value exploration properties and are discussed in the Valuation. The VALMIN Code[2] defines a Technical Value as an

[1] Australasian Joint Ore Reserves Committee (JORC), *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (The JORC Code), 2012 edn, effective December 2012, 44 pp., available <http://www.jorc.org/docs/JORC_code_2012.pdf>, viewed 7 July 2015.

[2] The Valmin Committee (VALMIN), *Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports* (The VALMIN Code), 2005 edn, effective April 2005, 24 pp., available <http://www.valmin.org/valmin_2005.pdf>, viewed 7 July 2015.

assessment of future net economic benefit. AMC has completed its engagement as a Specialist in accordance with the VALMIN Code to the extent that the code is relevant to preparation of the Valuation. AMC's use, in this report, of the terms Mineral Resources and Ore Reserves[3] is in accordance with the JORC Code. AMC Principal Consultant Alison Keogh visited the Horn Island Ngurupai Project site in June 2015.

The Looking Glass Project is at an early stage of exploration with an untested conceptual drilling target. The Horn Island Ngurupai Project is at an advanced stage of exploration with significant historic drilling, historic resource, historic mine production and recent exploration results indicating high prospectivity adjacent to and below the existing abandoned mine pit, and additional prospective areas in the package of prospective rocks on the island. The exploration projects do not contain Mineral Resources or Ore Reserves estimates that are reported in accordance with the JORC Code.

In considering two exploration valuation methods for the Horn Island Ngurupai Project and two exploration valuation methods for the Looking Glass Project, AMC has determined Alice Queen's interest in the Horn Island Ngurupai Project and Looking Glass Project at between $1.5 million (M) to $2.5M with a Preferred Value of $2.0M at the Valuation Date of 7 July 2015.

Table ES1 AMC Valuation of Alice Queen interest in Horn Island Ngurupai Project and Looking Glass Project Tenements

Valuation range	**$ million**
From	1.5
To	2.5
Valuation – Alice Queen Tenements	**2.0**

AMC does not have any business relationship with Nexia, Alice Queen, or Callabonna, other than the carrying out of individual consulting assignments as engaged. AMC has had no part in the formulation of the Proposed Transaction, and has no interest in the outcome of the Proposed Transaction. Prior to accepting the instruction to prepare the Valuation, AMC considered its independence with respect to ASIC Regulatory Guide 112: Independence of experts. In AMC's opinion, it is independent.

AMC has reviewed material technical reports and management information and held discussions with management staff of Alice Queen. AMC has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards and is based on data that AMC considers to be of acceptable quality and reliability. Where AMC has not been so satisfied, AMC has included comment in the Valuation to Nexia.

All monetary figures in this report are expressed in 2015 Australian Dollars ($) unless otherwise noted. For definitions of abbreviations used in the Valuation, refer to Appendix A, and for contributors to this report, refer to Appendix B.

Yours faithfully

Alison Keogh
MAusIMM (CP)
Principal Consultant

Dean Carville
MAusIMM
Principal Geologist

[3] As defined by the JORC Code.

Contents

Tables

Appendices

Distribution list

1 e-copy to Gary Graco, Nexia Melbourne Pty Ltd
1 e-copy to AMC Brisbane office

1 Description of Mineral Assets

1.1 Scope of work

AMC's scope of work is based on its review of the information provided and includes:

- A brief description of the Mineral Assets and observations made during the site visit
- A description of the Valuation methodologies
- Valuation of the mineral assets.

Specific exclusions from AMC's scope of work are:

- Marketing, commodity prices, and exchange rates.
- Financial and taxation analysis, including developing valuation models, and assessing inflation and discount rates.
- Assessment of sovereign risk.
- Verification of the tenement standing, real property title, licences and permits and other legal matters.
- Native Title and cultural heritage considerations.
- Social and environmental considerations, such as Coastal Protection and Management Act 1995 and Plan considerations, investigations and liaison with DEHP regarding remaining environmental legacies from the previous mining activities on the island.
- The airport, CASA, object limitation surfaces etc.

AMC understands that these exclusions will be addressed by others.

This Report has been prepared in accordance with the VALMIN Code. Nexia has agreed to comply with the provisions of the VALMIN Code and specifically the following requirements of the Code:

- Commissioning Entity, Clauses 33 to 36
- Independence of AMC, Clauses 24 to 27
- Reference to AMC's report, Clause 57

AMC has prepared this ITSR using multiple appropriate valuation methods for the valuation of Alice Queen's interest in the Mineral Assets. This ITSR is also prepared in accordance with the JORC Code[4] to the extent that it is relevant to the scope of the work.

1.2 Mineral assets

Alice Queen's Mineral Assets include a portfolio of tenements and tenement applications in Queensland and New South Wales, Australia. The Horn Island Ngurupai Project is located in Torres Strait in Queensland. The Looking Glass Project is located in the Lachlan Fold Belt in New South Wales. An independent expert report has been compiled by Mark Arundell (Independent Expert Report)[5], which provides location maps and a detailed description and assessment of the geological setting, target mineralisation styles, historic resources and proposed exploration work programmes. AMC understands this Independent Expert Report will be attached to the IER, and has not duplicated location maps or other details covered in that report in AMC's ITSR.

The Mineral Assets in which Alice Queen holds an interest as at 18 May 2014 comprised one granted exploration permit for minerals (EPM 25520; Horn Island Ngurupai Project) and one granted exploration licence (EL 8225; Looking Glass Project) (Table 1.1). The registered holder of EPM 25520 is Kauraru Gold, which is a joint venture company formed by Alice Queen (84.5% ownership) and the Kaurareg Aboriginal Land Trust (7.5%), and 8% AQH management. An application has also been made by Kauraru Gold for EPM 25418 for the Kaiwalagal Project, which covers the land on Prince of Wales Island and other islands located

[4] Australasian Joint Ore Reserves Committee (JORC), *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (The JORC Code), 2012 edn, effective December 2012, 44 pp., available <http://www.jorc.org/docs/JORC_code_2012.pdf>, viewed 7 July 2015.

[5] Mark Arundell, May 2015: Independent Expert Report on Horn Island & Looking Glass Projects (EMP 25520 & El 8225) Queensland & New South Wales, Prepared for Callabonna Resources Ltd (Draft dated June 2015).

to the west and north-west of Horn Island. Monzonite is the registered holder of EL 8225. Monzonite is 90% owned by Alice Queen.

Table 1.1 Granted exploration tenements

Tenement	EPC Name	Principal Holder	Grant Date	Term	Area (km^2)
EPM 25520	Horn Island	Kauraru Gold Pty Ltd (Alice Queen 84.5%)	8 October 2014	Five years	85.88
EL 8225	Looking Glass	Monzonite Metals Pty Ltd (Alice Queen 90%)	6 January 2014	Five years	216.3

Table 1.2 Exploration tenement applications

Tenement	EPC Name	Principal Holder	Application Date
EPM 25418	Kaiwalagal	Kauraru Gold (Alice Queen 84.5%)	16 October 2013

1.3 Site visit

Alison Keogh, AMC Principal Consultant, visited the Horn Island Ngurupai Project on 12 to 14 June 2015. In view of the conceptual status of the exploration target at Looking Glass, no site visit to that property was considered necessary.

1.4 Tenement standing

The Valuation applies to the specified granted tenements, which are exploration projects, located in Queensland and New South Wales (Alice Queen Tenements). The Alice Queen Tenements at the Valuation Date consist of EPM 25520 and EL 8225. The granted tenements are at an early stage of exploration. As at the 7 July 2015, none of the Alice Queen Tenements contained Mineral Resources[6] or Exploration Targets[4] reported in accordance with the JORC Code.

AMC has reviewed the independent tenement report by Hetherington Exploration & Mining Title Services Pty Limited provided to AMC by Nexia (the Tenement Standing Report[7]) and has relied on that report, which indicates the tenements were in good standing at 18 May 2014. AMC has not included applications for exploration permits in the valuation.

1.5 Information

In performing its services, AMC is entitled to rely upon and assume the accuracy and completeness of all material information that has been furnished to it and shall have no obligation to audit such information or prepare primary information for modelling purposes. Nexia acknowledges that AMC has the right and obligation to base its conclusions on information within its own knowledge and/or acquired as a result of its investigations as well as the information presented. AMC will not, however, uncritically use the information provided and will aim to satisfy itself as to the reasonableness of the information it uses.

1.6 Use of AMC's report

AMC understands that the ITSR will be attached in full as an appendix to the IER, which will be presented to the shareholders of Callabonna for their consideration. Nexia must obtain AMC's prior written consent as to the form and context of any inclusion of, or reference to, the ITSR in any documentation to be sent to third parties, including shareholders. Further, the ITSR may not be relied upon by any third party (including Callabonna) without AMC's prior written consent.

1.7 Report requirements

AMC's ITSR has been prepared independently and in accordance with the VALMIN Code and the Australian Securities and Investments Commission (ASIC) Regulatory Guides 111 and 112, to the extent that they are relevant to the scope of work. The VALMIN Code provides guidelines to assist those preparing Independent Expert Reports required for the assessment and/or valuation of Mineral and Petroleum Assets and Securities.

---

6 As defined by the JORC Code.

7 Hetherington Exploration & Mining Title Services Pty Limited, Callabonna Resources Ltd Independent Exploration Titles Report, 18 May 2014.

The VALMIN Code makes a distinction between two types of values for mineral assets, a Technical Value which is defined as an assessment of future net economic benefit, and a Fair Market Value which adds to or subtracts from a Technical Value a premium or discount relating to market, strategic, or other considerations.

The ITSR has been prepared by Ms Alison Keogh, Principal Consultant, Member and Chartered Professional of The Australasian Institute of Mining and Metallurgy, and peer reviewed by Mr Dean Carville, Principal Geologist, Member of the Australasian Institute of Mining and Metallurgy. Both qualify as specialists as defined in the VALMIN Code.

2 Technical inputs to Valuation

This chapter provides a brief summary of key aspects of the Horn Island Ngurupai Project and the Looking Glass Project to set the context for the Valuation, and documents AMC's site visit observations and findings relevant to the technical inputs to the Valuation. More detailed description is provided in the Independent Expert Report.

2.1 Horn Island Ngurupai Project

2.1.1 Geological setting and exploration overview

The brownfields Horn Island Ngurupai Project is located over Carboniferous-Permian host rocks, which host gold-bearing veins and breccias. Previous workers have variably described the mineralisation as epithermal, mesothermal or as a vein and breccia system, hosted in porphyritic granitic and granitoid rocks.

The project has a history of gold discovery and mining dating back to the late 1800s. Following extensive drilling and a feasibility study, Giant Resources Limited (Giant) in joint venture with AuGold Pty Ltd (AuGold) commenced mining and processing in 1987 from a series of open pits, to produce a total reported 1432 kg of gold. AMC understands that a combination of lower gold grade compared with the predicted resource and significant gold price decline caused financial pressures. The companies abandoned the project in 1989 immediately after a mine fatality.

Due to mine abandonment and further financial difficulties, rehabilitation works were not completed, and the Queensland government placed a restriction over the area (RA295), which precluded further mining or exploration activity. The project was in abeyance due to this restriction until recently, when Alice Queen successfully negotiated with the Queensland Government to repeal the restriction. Alice Queen also successfully negotiated with the Native Title holders in relation to Native Title considerations and applied for an EPM, paving the way for recommencement of exploration activities.

2.1.2 Site infrastructure

In June 2015, AMC Principal Consultant Alison Keogh visited the abandoned open pit, airport, ferry terminal, town facilities, site of the previous plant and tailings dam, and surrounding areas. The abandoned pit is now largely filled with water and is accessible at several points via gravel roads. A small plateau at the site of the old tailings dam and ponds was observed, with vegetation growing over the clay-capped tailings. A water storage area used for historic plant and site water was observed, with steel-capped water monitoring boreholes nearby. Wildlife is present in the water storage facilities and surrounding land area, and revegetation has occurred naturally over much of the site.

During the site visit, AMC also observed the existing local infrastructure on Horn Island, within 10 km of the mine site. The infrastructure consists of:

- A licensed international aerodrome with two sealed runways and twice daily Qantas Link domestic service to Cairns and various freight and charter operators.
- Shipping and cargo wharf facilities.
- Ferry terminal and port.
- Township of Wasaga including residential accommodation and community facilities.
- Ergon energy diesel power plant for the town and community.
- Council quarry, crushing plant and associated earthmoving fleet for road and fill uses.
- A fresh water storage pond that was constructed for the historic mine plant.
- A large council water storage facility providing supply for several islands.

Kauraru Gold staff pointed out a site in which acid mine drainage has occurred in a confined area adjacent to the historic mine plant water storage pond. AMC understands the acid mine drainage is due to the historic use of sulphide-bearing waste material to construct the dam wall, and observed sulphide-bearing material in the road material capping the dam wall. In addition, gold mineralisation is associated with arsenopyrite, which may elevate levels of arsenic in some areas, and this may require further assessment.

The Torres Shire Council has been using its freehold land, which is land within the tenement, for the island's refuse and waste management. This freehold land overlaps the abandoned mine area and its immediate

surrounds. Kauraru Gold staff noted that scrap metal from the old plant and mine equipment is thought to be present under water in one part of the existing pit.

2.1.3 Indigenous culture and Native Title context

The Native Title and traditional custodian setting are important factors in the ability of a tenement holder to progress any future exploration or mining activities on Horn Island. The Kaurareg Native Title Aboriginal Corporation (KNTAC) holds Native Title rights over the area of Horn Island (Ngurupai) where Native Title has not been extinguished above the high water mark. An Exploration Agreement is in place between KNTAC and Kauraru Gold for the conduct of exploration activities and compensation. A review of Native Title and social considerations was not a part of AMC's scope of work.

During the site visit, AMC observed the high importance of cultural acknowledgement and traditional custodian involvement in exploration and any future mining activities. Involvement, financial interests and employment opportunities in this new phase of exploration are of particular importance to the local people, and are of high significance. Alice Queen staff appear to have formed a strong relationship with the Kaurareg People and the local community at large, and Alice Queen's and Kauraru Gold's presence and activities appear to be welcomed.

2.1.4 Comment on environmental status

Whilst an assessment of environmental factors has been excluded from the scope of this ITSR, it is evident that a number of environmental and rehabilitation issues will need to be considered and addressed if any future mining is to proceed. A brief review was undertaken to assess if this might impact the Valuation.

AMC understands the purpose of the previous Queensland Government Restricted Area 295 (repealed in December 2013) was to prevent applications for further exploration or mining tenements until such time as the necessary rehabilitation could be assessed and where possible, completed[6]. Whilst the grant of EPM 25520 over the area of the past mining operations will not result in any direct assumption of any historic environmental liability, exploration activities conducted within these previously-disturbed areas will require appropriate rehabilitation in accordance with the current environmental conditions, and the existence of the prior disturbances may cause these rehabilitation activities to be more comprehensive and costly. AMC considers that any future acquisition of the underlying land tenure or grant of a mining lease may need to deal with potential liability for previous disturbances.

AMC has not sighted detailed contaminated land assessments for the site. However, based on site observations and aerial photography review, current land disturbances and liabilities on the site appear to include a flooded open pit, some partially-rehabilitated tailings dams and waste rock dumps, acid rock drainage from the raw water storage embankment, and other mining land disturbances. In addition, a preliminary review of Environmentally Sensitive Areas mapping indicates that if exploration or mining activities are planned, within several isolated identified areas principally near marine environments, additional approval requirements and regulatory constraints may apply. In principle, none of these issues present a fatal flaw to the re-commencement of mining operations at the site, but will require planning and management. Dewatering the pit and rehabilitation or re-commissioning the tailings storage facility and waste rock dump will require investigations to determine technical complexity and likely costs.

2.1.5 Previous exploration and mining

Extensive previous exploration was carried out on the Horn Island Ngurupai Project, which is described in the Independent Expert Report and in von Gnielinksi (1996[8]). von Gnielinksi's Masters thesis on the Horn Island gold mine (1996) provides a comprehensive record of the geology, exploration, development, production, and eventual mine abandonment, and summarises key inputs into the feasibility study, the history of mine production, the setup of the former processing plant and some of the technical issues encountered during mining and processing. Prior to the commencement of mining, a significant amount of drilling was undertaken at the project site, and a number of historic resource estimates were produced and released to the market prior to the establishment of the JORC Code. The historic resource estimates are described in the Independent Expert Report and in von Gnielinksi (1996). von Gnielinksi also provides comment on the performance of the historic resource estimates compared to production. Mining has

[8] von Gnielinski F E, 1996: Regional Geology, Exploration, Development and Failure of the Horn Island Gold Mine and its Environmental Clean-up. MSc Masters Thesis, James Cook University of Queensland, June 1996.

occurred subsequent to the release of historic resource estimates. Whilst the historic resources were not publicly updated to reflect depletion, von Gnielinksi (1996) provided an estimated depleted historic resource figure based on quarterly production records. There is no certainty that the historic resources will convert to a Mineral Resource. Additional historic exploration also included 1550 line km of airborne geophysics, detailed geological mapping, rock chip and stream sediment sampling, metallurgical testwork and establishment of several access roads.

2.1.6 Historic resources and production

The Independent Expert Report assessment indicated that Giant and AuGold (1988) produced the most recent historic resource estimate totalling 2.35 Mt at 2.37 g/t Au at 1.0 g/t Au cut-off, up to 40 m depth (Giant, 1988[9]), prior to mining. The Independent Expert Report reviewed this historic resource in accordance with ASX Listing Rules (Arundell, 2015). The basis of the historical resource estimate has not been confirmed. The estimate is a historical resource estimate and has not reported in accordance with the JORC Code. A Competent Person has not done sufficient work to classify the historic estimate as a Mineral Resource in accordance with the JORC Code. It is uncertain that following evaluation or further exploration, the historical estimate will be reported as a Mineral Resource in accordance with the JORC Code.

A conventional open pit hard rock mining operation commenced in July 1988 and ceased in December 1989 (von Gnielinksi, 1996). The exact extent of the abandoned mine pit is not accurately known, since the final pit void has filled with water and obstructed modern survey investigation. However, quarterly production records were released to the public and are detailed in von Gnielinski (1996), along with a plan showing the abandoned site workings in October 1990, and the original mine plans are provided in the mine's feasibility study (PME, 1987[10]). von Gnielinski (1996) reports a maximum mining depth of 18 m below surface, and reports that 23,500 oz of gold, 25,000 oz of silver, 2,000 tonnes lead and 2,000 tonnes zinc were produced between 1988 and 1990. Mined material totalled 6.8 Mt, including 0.63 Mt at 1.58 g/t Au (hard rock), with an average strip ratio of 9.9:1. Milled material totalled 0.06 Mt at 0.39 g/t Au alluvial and 0.64 Mt at 1.58 g/t Au hard rock.

von Gnielinski (1996) attempted to deplete the historic resource estimate and calculated a remaining historic resource of approximately 1.85 Mt at 2.37 g/t Au. von Gnielinksi (1996) also reported that further exploration drilling results were reported prior to the closure of mining in Mystery Reef and South-East Prospect for an additional small historic resource of 0.13 Mt at 3.9 g/t Au at 1.0 g/t Au cut-off, as well as multiple gold intersections from drilling at Mystery Reef, Narupai Reef, Southern Silicified Ridge and elsewhere. The basis of these exploration results and historic resources has not been confirmed, and they have not been reported in accordance with the JORC Code.

von Gnielinksi (1996) documents recoveries of 97.5% for gold from early metallurgical testwork, using a simple carbon-in-leach plant with gravity circuit. Mill recoveries of 84.5% and 80.4% for gold were reported in the final two months of operation. It appears likely that the historic mining only processed near-surface oxide ore. Mined and milled grades are significantly lower (0.79 g/t Au) than the grades predicted in the historic resource estimate. The cause of this reconciliation discrepancy is not known. Laboratory repeat analyses of 200 percussion hole samples showed a large relative mean difference between the original and replicate analysis, and von Gnielinksi (1996) considered that this was largely due to the inherent variability of the gold mineralisation; in particular due to the coarse nature of the gold and abrupt changes in gold grade adjacent to gold-bearing veins. In addition to a lower-than-predicted recovery, and higher-than-predicted costs, von Gnielinksi (1996) indicates that excessive dilution of waste rock was experienced during contract mining, using mining blocks too large for the style of mineralisation and selective mining requirements. von Gnielinski (1996) reported a significant improvement in production in the final six months of production, when the mine began to improve and achieve mining targets due to selective mining and block size reduction.

2.1.7 Kauraru Gold exploration results

Historic records of drilling have recently been compiled by Kauraru Gold into a digital format (the Kauraru Drillhole Database). The digital compilation of these historic drillholes provides information for 536 drillholes, including 7,185 gold assays across approximately 400 drillholes through the mine and adjacent areas. The Kauraru Drillhole Database has allowed Kauraru Gold to develop an understanding of the spatial location of

[9] Giant Resources Limited: Annual Report, 1988.

[10] Precious Metals Engineering (PME), 1987: Horn Island Project Feasibility Study, March 1987.

gold mineralisation in relation to historic geology maps, observed geology in the abandoned mine pit wall and outcrops, and Kauraru Gold rock chip and rock channel sampling. Records of other gold assays have not been found as some historic records have been lost or destroyed. Records of silver and base metals analyses are also available for numerous drillholes but these have not yet been entered into the Kauraru Drillhole Database.

AMC viewed sections and plans compiled by Kauraru Gold showing the results and locations of the historic drillholes. Most drillholes were angled at 60º, and approximately 75% of the holes were drilled to a shallow depth averaging approximately 50 m below surface. Compilation of Kauraru Drillhole Database results indicates the presence of gold intersections at depth below the historic shallow drilling, which is almost entirely untested below 50 m. At least three zones of significant gold mineralisation were identified, with their spatial location indicating mineralisation was identified by historic drilling both within and below the existing abandoned mine pit.

Recent rock chip and rock sampling results collected by Kauraru Gold indicate remaining high grades in the exposed pit wall of the abandoned mine. Anomalous gold sample results over 750 m of strike length were reported as Exploration Results in accordance with the JORC Code by Alice Queen on behalf of Kauraru Gold, for which Mr John Holliday is the Competent Person and is a member of the Australian Institute of Geoscientists (Alice Queen, 2015[11]). Gold occurs with silver, along with geochemically-anomalous levels of zinc, lead and arsenic. Exploration Results included individual rock channel samples from the 2014 program, including but not limited to:

- 1.0m at 90.2 g/t Au and 10.9 g/t Ag (HC14-068)
- 1.0m at 18.9 g/t Au and 3.1 g/t Ag (HC14-057)

A more detailed description of Exploration Results is provided by the Independent Expert Report.

Based on the geological setting, previous geology mapping and AMC's observations during the site visit, in AMC's opinion there is strong evidence of potential for gold mineralisation at the edges of the open pit void, and high prospectivity for further gold mineralisation beyond the open pit void.

2.1.8 Geology observations

During AMC's site visit, the abandoned open pit was examined. Sulphide-bearing quartz veins, alteration assemblages and evidence of rock chip and rock channel sampling were apparent at the site of the elevated gold results documented by The Independent Expert Report on the West wall of the abandoned pit. In this exposure, the quartz veins appear to form part of an array of dominantly sub-parallel veins dipping steeply to the south, cross-cutting host rocks with porphyritic granitic texture. Most of the host rocks exhibit alteration assemblages in the vicinity of these quartz veins, and mineral assemblages were largely oxidised.

AMC's site observations confirm a number of key aspects outlined in the more detailed description in the Independent Expert Report of the geology, exploration potential, and historic resources. In AMC's opinion, the exposed rocks indicate the presence of remaining mineralised quartz veins, sulphides and alteration in the exposed pit wall.

2.1.9 Proposed exploration

As result of the interrupted production and exploration history of the Horn Island Ngurupai Project, Alice Queen considers a number of targets have been inadequately tested and warrant further exploration. These include potential mineralisation under the flooded open pit, 50 m below surface, deep drilling assessment near areas of historic workings, and further exploration of the prospective rock packages adjacent to the historic drilling.

Alice Queen has planned an initial exploration program of 14 diamond drillholes through and below the historic resource, and to test high-grade structures and zones at depth, averaging 150 m to 220 m below surface for a total of 3,090 m. The drillholes will repeat and extend to greater depth historic shorter holes in an initial, broader-spaced pattern, to test for the presence of gold mineralisation below and adjacent to the historic open pit. While Alice Queen hopes to initially confirm similar levels and spatial location of gold

[11] Alice Queen Holding: Joint venture announcement of channel and rock chip sampling program, 17 December 2014.

mineralisation to that seen in historic drilling results, it is possible that further exploration may fail to demonstrate any economic mineralisation.

2.2 Looking Glass Project

2.2.1 Geological setting

The greenfields Looking Glass Project is an early-stage exploration project located in the Lachlan Fold Belt in northern New South Wales. The tenement overlies a magnetic anomaly and the primary concept is a copper-gold porphyry target on an extension of the Molong Volcanic Arc under surficial cover, which contains the Cadia Ridgeway gold-copper porphyry deposit and Copper Hill copper-gold porphyry deposit to the south. The Independent Expert Report provides a detailed description of the regional and local geological setting.

2.2.2 Alice Queen exploration

Interpretation of geophysical data indicates a prospective package of rocks may underlie the tenement area. The cover thickness is not known, but is estimated to be between 300 m to 500 m based on nearby water bore data and regional stratigraphic drilling.

No previous exploration has taken place targeting the basement rocks under cover for gold or base metals mineralisation. Other mineral exploration is described in The Independent Expert Report.

Alice Queen has undertaken geological, geophysical review, and data compilation, and conducted a 250 m-spaced geophysical airborne magnetic and radiometric survey and subsequent geological basement interpretation. During interpretation and processing, a magnetic high feature that coincides with a gravity low has been identified by Alice Queen as a target, which could be caused by a mineralisation system. A depth to magnetic source review was also conducted. Images of this anomaly are provided in the Independent Expert Report.

2.2.3 Proposed exploration

Alice Queen proposes the drilling of one 700 m in depth combined reverse circulation and diamond drill hole to test a deep magnetic feature.

Details of tenement restrictions are provided in the Independent Expert Report. A mining reservation and general restriction are in place over the south-eastern half of the tenement area. Proposed exploration activities will need to work within these restrictions.

3 Valuation

3.1 Exploration valuation methods

The commonly-used valuation methods that might be considered in relation to exploration tenements are based on:

- Income method
- Cost methods
- Market-related methods

Further details on exploration property valuation methods are provided in Appendix C.

Neither Mineral Resources nor Ore Reserves have been estimated for the Mineral Assets precluding the use of income methods.

The cost basis valuation (including multiples of exploration expenditure method) was considered by AMC, and is commonly as an applicable method for exploration areas in which no resource has been defined. This method of valuation of exploration properties includes consideration of the effectiveness of past exploration expenditure that relates to reasonably recent exploration, representing a fairly continuous ongoing exploration programme.

Market basis valuation in the form of comparison with recent relevant transactions (the comparable transaction method) was considered by AMC to be the most appropriate method for the valuation of the Horn Island Ngurupai Project and Looking Glass Project.

3.2 AMC valuation methodology

In valuing the Horn Island Ngurupai Project and Looking Glass Project, AMC has applied accepted industry methods for valuing exploration properties.

Where a Mineral Resource has been quantified, yardstick values can be applied that have been determined from comparable transactions. In this method, a value per unit of metal contained in the Mineral Resource is calculated from transactions and applied to the contained metal in the Mineral Resource that is the subject of the Valuation.

3.3 Horn Island Ngurupai Valuation

In AMC's opinion, the Horn Island Ngurupai Project area is highly prospective, and the significant former work including evidence of produced gold warrants a valuation approach that takes into account this historic information.

AMC considers that valuation using the Past Exploration Expenditure method would not provide a reliable reflection of the technical value of the property, since the restriction on access to the property was in place for 25 years for non-technical reasons, and has precluded recent exploration expenditure on a high-prospectivity property.

AMC considers that valuation using estimates of NPV from the previous mine feasibility study would not provide sufficient basis to form a production case, since the ASX Listing Rules preclude the issue of a public report containing a production target that is based solely or partly on historical estimates of mineralisation (ASX Listing Rule 5.18).

On the basis that there are documented records of gold production, a historic feasibility study, historic resources, strong evidence of mineralisation in the pit wall subsequent to mining consistent with the historic resource, and a significant amount of drilling outside and below the abandoned mine pit, it is AMC's view that it is reasonable to apply a resource yardstick approach on the basis of the historic resources, using a low yardstick value that reflects the risk associated with the historic resource estimate.

AMC also considers that it is reasonable to apply an estimate of value based on the replacement cost of the extensive exploration information currently available in the Kauraru Drillhole Database as well as associated

geological and geophysical information. This method is commonly applied to assess technical value of exploration information in stamp duty valuations in the mining sector.

AMC has based the Valuation on three exploration valuation methods:

- Comparable transaction method using resource yardsticks, expressed as values per ounce of resource.
- Comparable transaction method using unit area yardsticks.
- An estimate of replacement cost of current exploration information.

Mineral Resource estimates for the Horn Island Ngurupai Project, while estimated using a significant number of drillholes and associated data, are historical resource estimates and are not reported in accordance with the JORC Code. Whilst Arundell (2015) has conducted a brief review in the Independent Expert Report, a Competent Person has not done sufficient work to classify the estimates and it is uncertain that following evaluation or further exploration the historical estimate will be reported as a Mineral Resource in accordance with the JORC Code. There is no certainty that the historic resource will convert to a Mineral Resource.

AMC's assessment of appropriate resource yardstick draws from a larger set of over 50 comparable transactions in Australia that occurred between 2012 and 2015, from which a smaller number of transactions with either historic resources or low-confidence Mineral Resources were selected. Most Mineral Resources included in these transactions have been reported in accordance with either the 2012 JORC Code or the 2004 JORC Code[12]. The transactions selected are at the lower end of the range of values of comparable transactions, some of which had historic resources only. Based on this, AMC has selected a resource yardstick of $5 per ounce to $10 per ounce to reflect the uncertain nature of the historic resource, and determined a Valuation range of $0.71M to $1.4M, with a Preferred Value of $1.1M.

AMC's assessment of appropriate unit area yardstick draws from a larger set of over 50 transactions in Australia that occurred between 2012 and 2015, from which a smaller number of comparable transactions were selected. Based on this, AMC has selected a unit area yardstick of $8,310 per km^2 to $27,000 per km^2, and determined a Valuation range of $0.71M to $2.0M, with a Preferred Value of $1.5M.

In AMC's view, the Horn Island Ngurupai Project is an Advanced Exploration Area (VALMIN, 2005) which has undergone extensive past exploration and study work. The replacement cost of current exploration information is relevant and appropriate as it reflects the results of extensive past work carried out, much of which in AMC's opinion provides an informed basis on which to progress effective future exploration. AMC's assessment of the estimated replacement cost of current exploration information includes an AMC estimate of the cost of redrilling 50 diamond drillholes and 486 percussion drillholes and reassaying of 7,185 samples to reconstruct the information currently compiled in the Kauraru Drillhole Database. In addition, AMC has estimated the cost to collect and reconstruct detailed geological, geophysical and metallurgical information over the project area. AMC's estimate is based on recent quotes from industry providers of laboratory analytical services, drilling services and geophysical surveys, and AMC's experience in study cost estimates of staffing and associated equipment costs if the information replacement work was to be carried out at present day prices. Based on this, AMC has determined a Valuation range of $3.7M to $3.9M, with a Preferred Value of $3.8M.

In considering the combined exploration valuation methods applied, AMC has adjusted the ranges and Preferred Values to reflect Alice Queen's 84.5% interest, and has selected the adjusted mid-point between the yardstick, unit area and replacement exploration information methods to arrive at a final Valuation of $1.8M for the Horn Island Ngurupai Project.

3.4 Looking Glass Project Valuation

In AMC's opinion, the Looking Glass Project is at an early stage of exploration with conceptual targets. The Looking Glass Project contains no known targeted drillholes and no existing Mineral Resources. AMC considers the Looking Glass Project to be of low-to-moderate prospectivity for mineralisation.

[12] Australasian Joint Ore Reserves Committee (JORC), *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (The JORC Code), 2004 edn, effective December 2004, 32 pp., available < http://www.jorc.org/docs/jorc2004web_v2.pdf>, viewed 7 July 2015.

AMC has based the valuation on two exploration valuation methods:

- Comparable transaction method using unit area yardsticks, expressed as values per square kilometre of tenement.
- Past exploration expenditure methods.

Based on a range of comparable transactions from 2012 to 2015, AMC has selected unit area yardsticks of $1,100 per km^2 to $1,899 per km^2 that reflect the early stage and conceptual nature of the Looking Glass Project, and determined a Valuation range of $0.24M to $0.37M, with a Preferred Value of $0.32M. The Valuation is at the lower end of the range of values from the larger set of over 50 transactions, with AMC selecting a smaller group of comparable transactions.

Based on recent past exploration expenditure, adjusted upwards using a prospectivity enhancement multiplier of between 1.0 and 2.5 to reflect AMC's opinion of the resulting enhanced prospectivity, AMC has determined a range of $0.03M to $0.07M, with a Preferred Value of $0.05M.

AMC has adjusted the ranges and Preferred Values to reflect Alice Queen's 90% interest, and has selected the adjusted mid-point between the unit area and past exploration expenditure methods to arrive at a final Valuation of $0.17M for the Looking Glass Project.

3.5 AMC valuation conclusion

In considering two exploration valuation methods for the Horn Island Ngurupai Project and two exploration valuation methods for the Looking Glass Project, AMC has determined Alice Queen's interest in the Horn Island Ngurupai Project and Looking Glass Project at between $1.5M to $2.5M, with a Preferred Value of $2.0M at the Valuation Date of 7 July 2015.

4 Qualifications

AMC is a firm of mineral industry consultants whose activities include the preparation of due diligence reports on, and reviews of, mining and exploration projects for equity and debt funding and for public reports. In these assignments, AMC and its subconsultants have acted as independent parties. Neither AMC nor its subconsultants have any business relationship with Nexia, Alice Queen or Callabonna other than the carrying out of individual consulting assignments as engaged.

Neither AMC nor the contributors to this report nor members of their immediate families have any interest in Nexia, Alice Queen or Callabonna that could be reasonably construed to affect their independence. AMC has no pecuniary interest, association or employment relationship with Nexia, Alice Queen or Callabonna.

AMC is being paid a fee according to its normal per diem rates and out-of-pocket expenses in the preparation of this report. AMC's fee is not contingent upon the outcome of the Proposed Transaction. At the direction of Nexia, Callabonna has agreed to pay AMC's fee. However, payment of AMC's invoices by Callabonna does not convey to Callabonna any entitlement to rely on the ITSR.

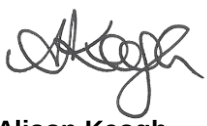
In correspondence relating to our engagement, Nexia agreed to comply with those obligations of the commissioning entity under the VALMIN Code including that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information will be made. Nexia has represented in writing that to the best of its knowledge, it has provided AMC with all material information relevant to its operations and projects described in this report.

In preparing the Valuation, AMC has relied on information provided by Alice Queen and Nexia, and AMC has no reason to believe that information is materially misleading or incomplete or contains any material errors. Callabonna has been provided with drafts of our report to enable correction of any factual errors and notation of any material omissions. The views, statements, opinions and conclusions expressed by AMC are based on the assumption that all data provided to it by Alice Queen are complete, factual and correct to the best of its knowledge. The Valuation and the conclusions in it are effective at 7 July 2015. Those conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments in regard to the projects and the market for mineral properties.

Nexia has provided AMC with indemnities in regard to damages, losses and liabilities related to or arising out of its engagement other than those arising from AMC's illegal acts, bad faith or negligence on its part. Nexia has also provided indemnities to AMC in regard to damages, losses and liabilities related to or arising out of AMC's reliance on any information that is false, misleading or incomplete.

AMC understands that the ITSR will be attached in full as an appendix to the IER, which will be presented to the shareholders of Callabonna for their consideration. Nexia must obtain AMC's prior written consent as to the form and context of any inclusion of, or reference to, the ITSR in any documentation to be sent to third parties, including shareholders. Further, the ITSR may not be relied upon by any third party (including Callabonna) without AMC's prior written consent. Neither this report nor any part of it may be used for any other purpose without written consent. Neither this report nor any part of it may be used for any other purpose without written consent.

The signatories to this report are corporate members of the AusIMM and bound by its Code of Ethics.



Alison Keogh
MAusIMM (CP)
Principal Consultant

Dean Carville
MAusIMM
Principal Geologist

Appendix A
Abbreviations

$	Australian dollar unless otherwise specified
$M	Australian dollars million
%	Percent
2004 JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2004 Edition, Effective December 2004, Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC)
2012 JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition. Effective 20 December 2012 and mandatory from 1 December 2013. Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC).
AMC	AMC Consultants Pty Ltd
AMD	Acid and Metalliferous Drainage
Ag	Silver
Au	Gold
BCM	bank cubic meters
CIL	carbon-in-leach
DCF	discounted cash flow
DMP	Department of Mines and Petroleum
Expert	Nexia
g	gram
g/t	grams per tonne
Nexia	Nexia Melbourne Pty Ltd
IER	Independent expert's report
ITSR	Independent Technical Specialist's Report
km	kilometres
koz	thousand ounces
kt	thousand tonnes
ktpa	thousand tonnes per annum
LeachWELL	a proprietary reagent grade catalyst formulated for fast cyanide leach gold extraction
LOM	life-of-mine
LOMP	life-of-mine plan
M	million
m	metres
m^2	square metre
m^3	cubic metres
Mineral Assets	Mineral assets of Callabonna Resources NL
mm	millimetres
mRL	reduced level
Mt	million tonnes
Mtpa	million tonnes per annum
NAF	non-acid forming
NAG	net acid generation
NPV	net present value
oz	ounce
PAF	potentially acid forming
PEC	Priority Ecological Community
PEM	prospectivity enhancement multiplier
PFS	Priority Flora Species
RAB	rotary air blast
RC	reverse circulation drilling
ROM	run-of-mine
SAG	semi-autogenous
t	tonnes
TEC	Threatened Ecological Community
tpa	tonnes per annum
TSF	tailings storage facility
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code 2005 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.
Valuation	AMC's valuation of the exploration properties described in this ITSR
Valuation Date	The date for AMC's valuation of the exploration properties described in this Report

Appendix B
Report contributors

The contributors to this report include:

Name	Qualifications	Affiliations	Involvement
Alison Keogh	BSc (Geology) (Hons)	AMC Principal Consultant	Project Manager, site visit and exploration property valuations.
Peter Stoker	BSc (Geology)	AMC Principal Geologist	Assist with exploration property valuations.
Peter Allen	BEng (Environmental)	AMC Principal Environmental Engineer	Environmental management and permitting for granted exploration tenements.
Dean Carville	B App Sc (App. Geol)	AMC Geology Manager/ Principal Geologist	Peer review.

Appendix C
Exploration properties – valuation methodology

The methods supported by AMC for valuation of operations and development projects, and exploration properties can be described as follows.

Operations and development projects

Where projections of production physicals and related costs can be reasonably determined for an operation or development project, it is accepted industry practice to prepare discounted cash flow (DCF) models to determine net present value (NPV) estimates. Accordingly, for the Mirah project, AMC has prepared the AMC Production Case which comprises production and capital and operating cost projections.

AMC believes the AMC Production Case is based on reasonable grounds.

The AMC Production Case has been provided to Nexia for its consideration of value using its own macroeconomic inputs including gold prices, royalties, discount rates, royalties and taxation.

Exploration

The valuation of exploration projects, particularly those for which it is not possible to quantify Mineral Resources, is very subjective. There are, however, several generally accepted procedures to value exploration projects and AMC has used such methods as appropriate to arrive at balanced judgments of value.

Where possible, AMC attempts to use more than one method before selecting the valuation appropriate to that project. Values are rounded, and outliers in contributing estimates are sometimes excluded.

The past expenditure method

A prospectivity enhancement multiplier (PEM) generally between 0.5 and 3.0 is applied to past expenditure which AMC judges to be effective in regard to future prospectivity.

The yardstick value method

Rules of thumb, or yardstick values, can be used for properties where a Mineral Resource has been quantified. A value per contained metal unit (e.g. ounce of gold or gold equivalent) is assigned to an actual Mineral Resource or to a preliminary mineralization estimate.

In considering transactions, AMC has determined ranges that reflect the difference in classification between Inferred and Indicated Resources and consideration of factors including the size of the deposit, proximity to existing operations, and known metallurgical issues.

Actual or comparable transaction method

A value is determined by reference to either actual transactions for the property in question (Actual Transaction method) or to recent transactions for projects considered to be similar to those under review (Comparable Transaction method). Comparable Transactions are converted to a value per unit area.

Joint Venture terms method

Many transactions on exploration tenements are of a farm-in nature and AMC assesses a "cash equivalent" value for them from the terms of the "deemed expenditure" on the property at the time of the deal discounted by a time and probability factor for the likelihood that the farm-in will complete its earning requirement. AMC adjusts the resulting value for any other terms of the joint venture and/or for the results of work carried out since the commencement of the farm-in.

Expected value method

An Expected Value valuation can be applied where there is sufficient information to enable an indicative NPV calculation, which takes into account the costs of that ongoing exploration and with a probability/risk factor for the chances of that exploration being successful.

This method is most relevant when the exploration area is closely associated with an existing mining operation or development project where a production scenario has been developed.

Our offices

Australia

Adelaide

Level 1, 4 Greenhill Road
Wayville SA 5034 Australia
T +61 8 8201 1800
F +61 8 8201 1899
E amcadelaide@amcconsultants.com

Brisbane

Level 21, 179 Turbot Street
Brisbane Qld 4000 Australia
T +61 7 3230 9000
F +61 7 3230 9090
E amcbrisbane@amcconsultants.com

Melbourne

Level 19, 114 William Street
Melbourne Vic 3000 Australia
T +61 3 8601 3300
F +61 3 8601 3399
E amcmelbourne@amcconsultants.com

Perth

9 Havelock Street
West Perth WA 6005 Australia
T +61 8 6330 1100
F +61 8 6330 1199
E amcperth@amcconsultants.com

Canada

Toronto

Suite 300, 90 Adelaide Street West
Toronto, Ontario M5H 3V9 Canada
T +1 416 640 1212
F +1 416 640 1290
E amctoronto@amcconsultants.com

Vancouver

Suite 202, 200 Granville Street
Vancouver BC V6C 1S4 Canada
T +1 604 669 0044
F +1 604 669 1120
E amcvancouver@amcconsultants.com

Singapore

Singapore

Registered Office
16 Raffles Quay, #33-03 Hong Leong Building
Singapore 048581
T +65 8620 9268
F +61 7 3230 9090
E amcsingapore@amcconsultants.com

United Kingdom

Maidenhead

Registered in England and Wales
Company No. 3688365

Level 7, Nicholsons House
Nicholsons Walk, Maidenhead
Berkshire SL6 1LD United Kingdom
T +44 1628 778 256
F +44 1628 638 956
E amcmaidenhead@amcconsultants.com

Registered Office: 11 Welbeck Street
London, W1G 9XZ United Kingdom

amcconsultants.com

Melbourne Office
Level 18, 530 Collins Street, Melbourne VIC 3000
p +61 3 9608 0100, f +61 3 9608 0192
info@nexiamelbourne.com.au, www.nexia.com.au

ANNEXURE TWO
ESOP

The Directors are empowered to operate the ESOP in accordance with the Listing Rules and on the following terms and conditions:

(a) Subject to paragraph (d), the Directors may offer to issue Options to eligible employees and other such persons that the Directors see fit (excluding directors), the ESOP and in such manner and on such terms and conditions as they in their absolute discretion determine.

(b) If the Company has offered you Options, to accept the offer complete the Acceptance Form or accept in such other form as the Directors may in their absolute discretion approve from time to time.

(c) The Eligible Employees to participate in the ESOP shall be as the Directors in their absolute discretion determine and shall take into account skills, experience, length of service with the Company, remuneration level and such other criteria as the Directors consider appropriate in the circumstances.

(d) Options may not be offered under this ESOP without the issue of a prospectus in accordance with Chapter 6D of the Corporations Act, if the aggregate of:

(i) the number of Options to be issued;

(ii) the number of Shares which would be issued if all the current Options issued under any employment incentive scheme were exercised;

(iii) the number of Shares which have been issued as a result of the exercise of Options issued under any employee incentive scheme, where the Options were issued during the preceding three years; and

(iv) all other Shares issued pursuant to any employee incentive scheme during the preceding three years;

but disregarding any offer made, Options or Shares issued by way of or as a result of:

(v) an offer to a person situated at the time of receipt of the offer outside Australia;

(vi) an offer that was an excluded offer or invitation within the meaning of the Corporations Act as it stood prior to the commencement of Schedule 1 of the Corporate Law Economic Reform Program Act 1999;

(vii) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or

(viii) an offer under a disclosure document,

would exceed 5% of the then current number of Shares on issue.

(e) Options will be issued free of charge to eligible employees. The exercise price of the Options shall be as the Directors in their absolute discretion determine, provided that it shall not be less than that amount which is equal to 80% of the average market price of the Shares in the 5 days in which sales in the Shares were recorded immediately preceding the day on which the Directors resolve to offer the Options.

(f) The Directors may limit the total number of Options which may be exercised under the Scheme in any year.

(g) The Directors, in their absolute discretion, having regard to skills, experience, length of service with the Company, remuneration level and such other criteria as the Directors consider appropriate in the circumstances, shall determine criteria to establish the periods during which the Options may be exercised or will vest.

(h) Unless the Directors in their absolute discretion determine otherwise, Options shall lapse upon the earlier of:

(i) the expiry of the exercise date;

(ii) the expiry of 60 days after the Option holder ceases to be an Eligible Employee by reason of dismissal, resignation or termination of employment, office or services for any reason;

(iii) the expiry of 60 days after the Option holder ceases to be an Eligible Employee by reason of retirement; or

(iv) a determination by the Directors acting reasonably that the Option holder has acted fraudulently, dishonestly or in breach of his or her obligations to the Company or an Associated Body Corporate;

(i) If an Eligible Employee accepts an offer from the Company to participate in the Scheme then the Company will evidence the issue of an Option to an eligible employee by issuing that eligible employee a Certificate for that Option.

(j) Each Option entitles the holder to subscribe for and be issued with one Share.

(k) Shares issued pursuant to the exercise of Options will in all respects, including bonus issues and new issues, rank equally and carry the same rights and entitlements as other Shares on issue.

(l) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced (or such shorter time as permitted under the ASX Listing Rules). This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(m) The Options will not be quoted on the ASX. However, application will be made to the ASX for official quotation of the Shares issued on the exercise of the Options if the Shares are listed on the ASX at that time.

(n) An application to be issued Options may be made by eligible employees invited to participate in the Scheme in such form and on such terms and conditions concerning the closing date for applications as the Directors in their absolute discretion determine.

(o) If at any time the issued capital of the Company is reconstructed, all rights of Option holders are to be changed in a manner consistent with the Listing Rules.

(p) At the absolute discretion of the Directors, the terms upon which Options will be issued may incorporate performance related factors. Such factors may reflect, inter alia, profitability levels and sales targets and may, subject to clause (o) above, be amended from time to time in a manner favourable to the Option holder. However such performance related factors, if included in the Option terms or so amended shall not act in any way to constitute a breach of the Terms and Conditions.

(q) Notwithstanding the Terms and Conditions, upon the occurrence of a Trigger Event the Directors may determine:

(i) that the Options may be exercised at any time from the date of such determination, and in any number until the date determined by the Directors acting bona fide so as to permit the holder to participate in any change of control arising from a Trigger Event provided that the Directors will forthwith advise in writing each holder of such determination. Thereafter, the Options shall lapse to the extent they have not been exercised; or

(ii) to use their reasonable endeavours to procure that an offer is made to holders of Options on like terms (having regard to the nature and value of the Options) to the terms proposed under the Trigger Event in which case the Directors shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the Options shall immediately become exercisable and if not exercised within 10 days, shall lapse.

(r) An Option may not be transferred or assigned except that a legal personal representative of a holder of an Option who has died or whose estate is liable to be dealt with under laws relating to mental health will be entitled to be registered as the holder of that Option after the production to the Directors of such documents or other evidence as the Directors may reasonably require to establish that entitlement.

(s) An Option is exercisable by the holder lodging with the Company a Notice of Exercise of Option together with a cheque for the exercise price of each Option to be exercised and the relevant Option Certificate. If not all of the holder's Options are being exercised, a holder must exercise Options in multiples of 1,000.

(t) Neither participation in the Scheme by the Company or an Associated Body Corporate or any Eligible Employees or Option holders or anything contained in these Terms and Conditions shall in any way prejudice or affect the right of the Company or an Associated Body Corporate to dismiss any Eligible Employees or Option holder or to vary the terms of employment of any Eligible Employees or Option holder. Nor shall participation or the rights or benefits of an Eligible Employees or Option holder under the Terms and Conditions be relevant to or be used as grounds for granting or increasing damages in any action brought by an Eligible Employees or Option holder against the Company or an Associated Body Corporate whether in respect of any alleged wrongful dismissal or otherwise.

(u) At all times during which eligible employees may subscribe for or purchase Shares upon exercise of an Option issued pursuant to the ESOP, the Company shall provide, within a reasonable period of a request by eligible employees, the current market price of the Shares. Contact the Company Secretary to obtain this information.

(v) The ESOP shall be administered by the Directors who shall have power to:

(i) determine appropriate procedures for administration of the ESOP consistent with these Terms and Conditions;

(ii) resolve conclusively all questions of fact or interpretation or dispute in connection with the ESOP and settle as the Directors in their absolute discretion determine expedient any difficulties or anomalies howsoever arising with or by reason of the operation of the ESOP;

(iii) delegate to any one or more persons for such period and on such conditions as it may determine the exercise of any of the Directors' powers or discretions arising under the ESOP.

Definitions - ESOP

In this Schedule the following terms shall bear the following meanings:

"Acceptance Form" means the Acceptance Form which will accompany the invitation to the Eligible Employee to participate in the Scheme.

"Associated Body Corporate" means:

(i) a related body corporate (as defined in the Corporations Act) of the Company;

(ii) a body corporate which has an entitlement to not less than 20% of the voting shares of the Company; and

(iii) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

"ASX" means the Australian Securities Exchange Limited.

"Business Day" means those days other than a Saturday, Sunday, New Year's Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Christmas Day, Boxing Day and any other day which the ASX shall declare and publish is not a business day.

"Certificate" means a certificate for any Option issued to Eligible Employees which will include all of the terms and conditions of the Option and the Notice of Exercise of Option or such other evidence of ownership that the Directors may in their absolute discretion determine from time to time.

"Company" means Callabonna Resources Limited.

"Company Group" means the Company and its Associated Bodies Corporate.

"Corporations Act" means the Corporations Act 2001 (Commonwealth).

"Directors" mean the directors from time to time of the Company.

"Eligible Employees" means any full or part time employees, consultants of the Company or its Associated Bodies Corporate, or other such persons that the Directors see fit, excluding Directors (unless separate shareholder approval is obtained).

"Listing Rules" means the official listing rules of ASX as amended from time to time.

"Notice of Exercise of Option" means the Notice of Exercise of Option which will accompany the invitation to the Eligible Employee to participate in the Scheme.

"Offer Period" means the period referred to in the definition of that expression in Section 624 of the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of an off-market bidder's statement on the Company in relation to that takeover bid the Offer Period shall be deemed to have commenced at the time of that announcement.

"Option" means an option to acquire a Share issued in accordance with the Scheme.

"Scheme" means the Callabonna Employee Option Scheme in which Eligible Employees may be invited to participate in accordance with the Terms and Conditions.

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

"Terms and Conditions" means the terms and conditions as amended from time to time.

"Trigger Event" means:

(i) the despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act;

(ii) the service of a bidder's statement or a like document on the Company; or

(iii) the date upon which a person or a group of associated person becomes entitled, subsequent to the date of issue of the Option, to sufficient Shares to give it or them the ability, in general meeting to replace all, or allow a majority, of Directors in circumstances where such ability was not already held by a person associated with such person or group of associated persons.