

# Promesa Ltd

ACN 124 541 466

*To be renamed Thred Limited, subject to Shareholder approval.*

## Notice of General Meeting

10:00am (WST)

16 October 2015

At the offices of BDO Australia  
38 Station Street  
Subiaco, Western Australia

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

**Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9389 5885.**

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## **Important notices**

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### **General**

This Notice of Meeting is dated 11 September 2015.

Shareholders should read this document in its entirety before making a decision as to how to vote on the Resolutions.

### **Purpose of this document**

The main purpose of this document is to explain the terms of a proposed change of activities of Promesa through the Thred Acquisition, and the manner in which that transaction will be implemented (if approved), and to provide such information as is prescribed or otherwise material to the decision of Shareholders whether or not to approve the Resolutions to give effect to these matters.

### **Preparation of and responsibility for this document**

This document has been prepared by Promesa and its Board of Directors and Promesa and those Directors are responsible for this document.

The ASX does not take any responsibility for the contents of this Notice of Meeting, and the fact that ASX may re-admit the securities of Promesa to quotation on its official list is not to be taken in any way as an indication of the merits of Promesa.

### **Defined terms and glossary**

Capitalised terms and certain abbreviations used in this document have the defined meanings set out in the Glossary on page 47.

### **Investment decisions**

This document does not take into account the individual investment objectives, financial situation or particular needs of any Shareholder or any other person. Shareholders should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other appropriate adviser.

### **Enquiries**

Shareholders are requested to contact the Company Secretary on +61 8 9389 5885 if they have any queries in respect of the matters set out in this Notice of Meeting or the accompanying Explanatory Statement.

## **Time and place of Meeting and how to vote**

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

Notice is given that the General Meeting will be held at 10:00am WST on 16 October 2015 at the offices of BDO Australia, 38 Station Street, Subiaco, Western Australia.

### **Your vote is important**

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

The Explanatory Statement provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and Proxy Form each form part of this Notice of Meeting.

### **Voting eligibility**

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 5:00pm WST on 14 October 2015.

### **Voting in person**

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

### **Voting by proxy**

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

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

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

Sections 250BB and 250BC of the Corporations Act apply to voting by proxy. Shareholders and their proxies should be aware of these sections, as they will apply to this Meeting. Broadly, the sections mean that:

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

Further details on these legislative requirements are set out below.

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

An appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

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

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

If:

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

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

## **Business of the General Meeting**

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### **Resolution 1 – Change to nature and scale of activities**

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

*“That, subject to the passing of each other Acquisition Resolution, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change to the nature and scale of its activities as set out in the Explanatory Statement including, without limitation, through the Thred Acquisition.”*

#### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) 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:

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

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

*“That, subject to the passing of each other Acquisition Resolution, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 5 Shares be consolidated into 1 Share and every 5 Options be consolidated into 1 Option and, where this Consolidation results in a fraction of a Share or Option being held, the Company be authorised to round that fraction down to the nearest whole number.”*

### **Resolution 3 – Creation of a new class of Securities (Performance Shares)**

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

*“That, subject to the passing of each other Acquisition Resolution, for the purpose of clause 2.4 of the Constitution and ASX Listing Rule 6.2 and for all other purposes, the Company is authorised to create and issue a new class of shares, being Performance Shares, on the terms and conditions set out in the Explanatory Statement.”*

## **Resolution 4 – Issue of Consideration Securities to Key Idea and increase in relevant interest**

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

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

- (a) the Directors to issue 250,000,000 Shares (on a post-Consolidation basis); and*
- (b) the Directors to issue 140,000,000 Performance Shares,*

*(together, the **Consideration Securities**) to Key Idea (or its nominee) and the acquisition of a Relevant Interest in the Consideration Securities by Key Idea (or its nominee). "*

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

The Independent Expert has prepared an Independent Expert's Report relating to the approval required for the purpose of section 611 (item 7) of the Corporations Act and concluded that the Thred Acquisition is **fair and reasonable** to the Company's Shareholders. The Independent Expert's Report is set out in Annexure F to this Notice. Shareholders should carefully read the Independent Expert's Report as it provides information which the Directors believe to be material to shareholders in deciding whether or not to pass this Resolution.

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by Key Idea (and its associates) and any person (and their associates) 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:

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

## **Resolution 5 – Issue of Securities to a related party, Armada Capital**

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

*"That, subject to the passing of each other Acquisition Resolution, for the purpose of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Directors to issue:*

- (a) 100,000,000 Options; and*
- (b) up to 12,500,000 Shares and up to 7,000,000 Performance Shares in satisfaction of a success fee equal to 5% (by number) of the Consideration Securities,*

*(on a post-Consolidation basis) to Armada Capital (or its nominee(s)) on the terms and conditions set out in the Explanatory Statement."*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by Armada Capital (and its associates) and any person (and their associates) 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:

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

### **Voting prohibition statement**

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

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

However, the above prohibition does not apply if:

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

## **Resolution 6 – Issue of Shares to Dean Bannister**

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

*"That, subject to the passing of each other Acquisition Resolution, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue up to 6,250,000 Shares (on a post-Consolidation basis) in satisfaction of a success fee equal to 2.5% (by number) of the Consideration Shares, to Dean Bannister (or his nominee(s)) on the terms and conditions set out in the Explanatory Statement."*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by Dean Bannister (and his associates) and any person (and their associates) 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:

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



## **Resolution 7 – Capital Raising**

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

*"That, subject to the passing of each other Acquisition Resolution, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue up to 200,000,000 Shares (on a post-Consolidation basis) at a minimum issue price of \$0.05 per Share to raise up to \$10,000,000 on the terms and conditions set out in the Explanatory Statement."*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) who may participate in the proposed issue or any person (and their associates) 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:

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

## **Resolution 8 – Election of Director, David Whitaker**

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

*"That, subject to the passing of each other Acquisition Resolution and the successful completion of the Thred Acquisition, for the purpose of clause 13.4 of the Constitution and for all other purposes, David Whitaker who, being eligible and having consented to act, be elected as a director of the Company on and from the date of completion of the Thred Acquisition."*

## **Resolution 9 – Election of Director, Christopher Jones**

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

*"That, subject to the passing of each other Acquisition Resolution and the successful completion of the Thred Acquisition, for the purpose of clause 13.4 of the Constitution and for all other purposes, Christopher Jones who, being eligible and having consented to act, be elected as a director of the Company on and from the date of completion of the Thred Acquisition."*

## **Resolution 10 – Election of Director, Christopher Adams**

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

*"That, subject to the passing of each other Acquisition Resolution and the successful completion of the Thred Acquisition, for the purpose of clause 13.4 of the Constitution and for all other purposes, Christopher Adams who, being eligible and having consented to act, be elected as a director of the Company on and from the date of completion of the Thred Acquisition."*

## **Resolution 11 – Change of Company name**

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

*"That, subject to the passing of each other Acquisition Resolution and completion of the Acquisition, for the purposes of sections 157(1)(a) and 136(2) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to "Thred Limited" with effect from completion of the Acquisition, and for all references to the Company's name in the Constitution to be replaced with Thred Australia Limited."*

## **Resolution 12 – Issue of Shares under Series A Convertible Loans**

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

*"That, subject to the passing of each other Acquisition Resolution, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue such number of Shares (on a post-Consolidation basis) to the lenders under the Series A Convertible Loans (or their respective nominees) as is calculated in accordance with the formula set out in the Explanatory Statement, and otherwise on the terms and conditions set out in the Explanatory Statement."*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) who may participate in the proposed issue or any person (and their associates) 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:

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

## **Resolution 13 – Issue of Shares under Series B Convertible Loans**

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

*"That, subject to the passing of each other Acquisition Resolution, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue such number of Shares (on a post-Consolidation basis) to the lenders under the Series B Convertible Loans (or their respective nominees) as is calculated in accordance with the formula set out in the Explanatory Statement, and otherwise on the terms and conditions set out in the Explanatory Statement.*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) who may participate in the proposed issue or any person (and their associates) 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:

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

## **Resolution 14 – Issue of Shares under Series A Convertible Loan to a related party**

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

*"That, subject to the passing of each other Acquisition Resolution, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue such number of Shares (on a post-Consolidation basis) to Supaval (or its nominee) as is calculated in accordance with the formula set out in the Explanatory Statement, and otherwise on the terms and conditions set out in the Explanatory Statement."*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by Supaval (and its nominee) (and their associates) and any person (and their associates) 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:

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

## **Resolution 15 – Issue of Shares to Noteholders**

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

*"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue such number of Shares (on a post-Consolidation basis) to the Noteholders (or their respective nominees) as is calculated in accordance with the formula set out in the Explanatory Statement, and otherwise on the terms and conditions set out in the Explanatory Statement."*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) who may participate in the proposed issue or any person (and their associates) 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:

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

## **Resolution 16 – Issue of Shares to a related party, Simon Nominees**

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

*"That, subject to the passing of Resolution 15, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue such number of Shares (on a post-Consolidation basis) to Simon Nominees (or its nominee) as is calculated in accordance with the formula set out in the Explanatory Statement, and otherwise on the terms and conditions set out in the Explanatory Statement."*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by Simon Nominees (and its nominee) (and their associates) and any person (and their associates) 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:

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

## **Resolution 17 – Ratification of prior issue of Shares**

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

*"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the issue of 96,103,117 Shares (on a pre-Consolidation basis) on the terms and conditions set out in the Explanatory Statement be and is hereby ratified."*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) who participated in the issue.

However, the Company need not disregard a vote if:

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

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**Dated: 11 September 2015.**

**By order of the Board**



**Damon Noel Sweeny**  
**Company Secretary**

## **Explanatory Statement**

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

The main purpose of the Meeting is to seek from Shareholders the approvals required for a change to the nature and scale of the Company's activities and the various approvals arising from the Thred Acquisition.

### **Part 1 – Overview of the Thred Acquisition**

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#### **1. Current operations and background to Promesa**

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Promesa Ltd is a Perth based public company listed on the official list of ASX (ASX Code: PRA).

The Company is currently a precious and base metals explorer with a portfolio of mineral prospects. The Company has six projects at early discovery state in Peru, including three projects in La Libertad, two projects in Ancash and one project in the Huancavelica Department.

Recently, the Company's Directors have been mindful of the state of the Australian share market and the financing difficulties in the global junior resources sector, as identified in the Half-Year Financial Report for the period ended 31 December 2014. It has become clear that current market conditions make it very difficult to raise funds to explore the exploration projects which the Company holds. The Board has therefore assessed a number of opportunities to enhance Shareholder value. The evaluation of opportunities has culminated in the announcement on 13 April 2015 of the proposed Thred Acquisition.

As set out in the announcement, the Company also intends to dispose of its mineral tenements and exploration businesses following completion of the Thred Acquisition. The Directors will continue to explore the mechanisms by which this disposal might be effected in the best interests of Shareholders, whether by way of asset or share sale, demerger or otherwise.

#### **2. Change to the nature and scale of activities**

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The Thred Acquisition involves a significant change to the nature of the Company's main business activity from exploring for minerals to the development and provision of messaging platforms and apps to users internationally.

Furthermore, the Thred Acquisition involves a significant change to the size of the Company's business operations.

Given these circumstances, ASX has exercised its discretion to require the significant change to the nature and scale of the Company's main business activity to be approved by the Company's Shareholders under ASX Listing Rule 11.1.2. This approval is sought from Shareholders in Resolution 1.

### 3. Information on Thredit's business

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Thredit's business is the development of the Thred App.

Thred is unified social messaging which has been conceived, designed and built by Key Idea and the Thredit team. Work began on design and development of the Thred App in 2013 in response to internal communications challenges encountered by Key Idea.

Thred is a next-generation meta-social & media sharing application which overlays more than 140 global social media platforms, allowing instant access to all social media friends, followers and contacts in a simple unified way, with the potential to connect billions of social media users.

At its heart, Thred is a web and app-based messaging platform specialising in cross-platform communication protocols. Thredit has developed several proprietary engines and systems that unify and centralise user contacts and social groups whilst simultaneously providing a centralised communication hub.

Thred's core system is a private messaging and content sharing platform enabling individual and group messaging across all social media, re-making the messaging experience and building bridges between social groups.

Thredit has also developed machine learning engines and a neural network that learns users' preferences, with the intention of providing a more targeted and satisfying messaging and sharing experience. Any content (for example, documents, links, video, spreadsheets, Powerpoints, etcetera) can be easily shared, commented on (both across a Thred group or privately within the group), archived, searched and outputted for later review or furthering of the conversation.

Thred's platform is the core of a suite of products that are being developed by Thredit for the mobile market. This core suite of products is expected to be officially launched in late 2015 with additional features and modules released after launch.

The Thred App is not just a new messaging app or a new form of social media; rather, it is a solution to the challenges we all face in today's connected and information-rich world. These challenges include:

- how we manage the range of our diverse profiles and groups across multiple social platforms; and
- how to easily create and manage a private group discussion with friends from networks such as Twitter, Facebook, Weibo and LinkedIn at the same time as using SMS and email addresses – uniquely allowing a two-way communication stream between them all and the creation of a private messaging group made up of people across multiple platforms and social media.

By developing and marketing the Thred platform, the goal is not to compete with existing messaging apps or social networks, but instead to reshape the way we all use the range of services available to create more meaningful and valuable connections between people.

Thredit will follow the successful strategies used by other messaging services by focusing on user acquisition and engagement primarily at launch, Thred has the potential to generate revenue through several key avenues as follows:

- **In-App commerce:** Thredit intends to permit third party apps to provide integrated services within the Thred App to its users, such as such as booking services, content partnerships, event ticketing and product sales. Thredit hopes to negotiate referral or affiliate commissions with these app providers.
- **Enterprise messaging version:** Thredit intends to offer an enterprise version of the Thred App that will provide additional features and functionality, such as improved security, enhanced message encryption, superior group management and office integration. Subscribers will be able to pay a “per seat” fee or yearly subscription fee for use of the enterprise version.
- **Brand integrations:** Thredit intends to create opportunities for brand integrations enabling users to opt-in to one-to-one and/or one-to-many communications with brands of their choosing. Brands will have the opportunity to purchase these integrations from Thredit on a per campaign basis.
- **Upgrade options:** Thredit will offer a number of paid ‘upgrade’ options within the Thred App that users will be able to opt into to access additional features and functionality. These may include features such as improved security, message encryption, superior group management and office integration. The cost of these upgrade options will vary according to the function and feature type.
- **Data mining:** Thred inherently collects and collates data that allows predictive trending and other forms of analysis to be performed. This analysis will be made available after launch as a SaaS (software as a service) system that can be subscribed to by companies or individuals and charged for on a “user pays” basis.

#### 4. Financial information on Thredit

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As at the period ended 31 March 2015, Thredit had HKD 1 in total assets and HKD 50,000 in total liabilities. Thredit’s sole asset is intangible, being a software application to enhance communication between people, acquired from Key Idea, a related party of Thredit. The value does not necessarily represent the fair value of the Thred App, nor the cash expended on its development by Key Idea. The liabilities relate to accrued auditor’s expenses of HKD 50,000. As at the date of this Notice of Meeting, 1 Australian Dollar equals approximately 5.54 Hong Kong Dollars.

Thredit’s ultimate holding company, Key Idea, has confirmed in writing its intention to provide continuing financial support to Thredit until completion of the Thred Acquisition occurs.

#### 5. Key terms of the Thred Acquisition

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On or about 12 April 2015, the Company entered in to a Binding Heads of Agreement (**Agreement**) with Key Idea to acquire all the issued share capital of Thredit for the following consideration:

- the issue to Key Idea of 250,000,000 Shares (on a post-Consolidation basis); and
- the issue to Key Idea of 140,000,000 Performance Shares,

(together, the **Consideration Securities**).



The Agreement contains warranties and indemnities in favour of Promesa consistent with usual market practice.

The principal outstanding conditions precedent to completion of the Thred Acquisition are:

- the Acquisition Resolutions being passed at the Meeting;
- Promesa undertaking the Capital Raising and receiving valid applications for at least \$5,000,000 under the Capital Raising;
- Promesa undertaking a consolidation of its issued capital on a ratio of 1 for 5 (as determined by the Board in its absolute discretion) (**Consolidation**); and
- the conditional approval by ASX to reinstate Promesa's securities to trading on ASX (after Promesa re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being to the reasonable satisfaction of Promesa and Key Idea.

These conditions must be satisfied or waived by Promesa by no later than 7 November 2015.

## 6. Independent Expert's Report

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The Independent Expert has prepared an Independent Expert's Report on whether in its opinion the proposed Thred Acquisition is fair and reasonable to the Company's Shareholders and concluded that the Thred Acquisition is **fair and reasonable**.

The Independent Expert's Report is set out in Annexure F to this Notice. Shareholders should carefully read the Independent Expert's Report as it provides information which the Directors believe to be material to Shareholders in deciding whether or not to approve the proposed Thred Acquisition.

## 7. Board and management changes

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On completion of the Thred Acquisition the Company proposes to appoint to the Board:

- Mr David Whitaker as Managing Director;
- Mr Christopher Jones as Non-Executive Director; and
- Mr Christopher Adams as Non-Executive Director.

Mr Tim Wise will resign as a Director at that time.

Mr Sean Davidson will be appointed as Chief Technology Officer of Thredit and will assume responsibility for the delivery of Thred.

The Board will continue to assess its needs at both a board and management level as the new business progresses and when a decision is made in relation to the Company's mineral tenements and exploration businesses.

## 8. Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

ASX has notified the Company that the significant change to the nature and scale of the Company's main business activity arising from the Thred Acquisition will require re-compliance with ASX's admission requirements in chapters 1 and 2 of the ASX Listing Rules.

ASX has indicated that it will suspend trading in the Company's securities before trading starts on the date of the General Meeting. Then, if Shareholders approve the change to the nature and scale of activities of the Company and the other Acquisition Resolutions, trading in the Company's securities will be immediately suspended until re-compliance with the admission requirements is achieved.

## 9. Pro-forma capital structure

The effect of the issue of the Consideration Securities on the Company's capital structure is set out in the following table:

<b>Table 9.1</b>	<b>Shares<sup>1</sup></b>	<b>Options<sup>1,2</sup></b>	<b>Performance Shares<sup>1</sup></b>
Current issued capital	96,103,117	12,245,834	Nil
Consideration Securities	250,000,000	Nil	140,000,000
<b>Total issued capital following issue of the Consideration Securities assuming none of the current issued Options are exercised<sup>3</sup></b>	<b>346,103,117</b>	<b>12,245,834</b>	<b>140,000,000</b>
<b>Total issued capital following issue of the Consideration Securities assuming all current issued Options are exercised<sup>3</sup></b>	<b>358,348,951</b>	<b>Nil</b>	<b>140,000,000</b>

**Notes:**

1. All numbers in the above table are stated on a post-Consolidation basis, ignoring the treatment of fractional entitlements under the Consolidation.
2. In respect of the Options:
  - 5,412,500 unquoted Options exercisable at \$0.25 each, expiring 10 December 2015; and
  - 6,833,334 unquoted Options exercisable at \$0.25 each, expiring 27 February 2016.
3. As the last sale on the ASX trading day immediately preceding the date of this Notice was \$0.008, the Options are not "in the money" (taking account of the Consolidation).

The Company's capital structure following completion of the Thred Acquisition and the equity issues contemplated under this Notice of Meeting is set out in the following table:

<b>Table 9.2</b>	
<b>Shares</b>	<b>Number<sup>1</sup></b>
Shares currently on issue	96,103,117
Consideration Shares to be issued to Key Idea in consideration for the Thred Acquisition (Resolution 4)	250,000,000
Maximum number of Shares to be issued pursuant to the Offer at \$0.05 each (including oversubscriptions) (Resolution 7)	200,000,000
Maximum number of Shares to be issued at a deemed issue price of \$0.025 each upon conversion of Series A Convertible Loans <sup>4</sup> (Resolutions 12 and 14)	20,000,000
Maximum number of Shares to be issued at a deemed issue price of \$0.04 each upon conversion of Series B Convertible Loans <sup>4</sup> (Resolution 13)	12,500,000
Maximum number of Shares to be issued to Armada Capital at a deemed issue price of \$0.05 each in satisfaction of a 5% success fee in connection with the Thred Acquisition <sup>3</sup> (Resolution 5)	12,500,000
Maximum number of Shares to be issued to Dean Bannister at a deemed issue price of \$0.05 each in satisfaction of a 2.5% success fee in connection with the Thred Acquisition <sup>3</sup> (Resolution 6)	6,250,000
<b>Total Shares on completion of the Thred Acquisition and the Offer</b>	<b>597,353,117</b>
<b>Convertible Notes</b>	<b>Number<sup>1</sup></b>
Convertible Notes (issued by the Company between 27 February 2015 and 13 May 2015) convertible into Shares at \$0.005 per Share on or before 31 December 2015 (Resolutions 15 and 16)	200,000,000
<b>Total Convertible Notes on completion of the Thred Acquisition</b>	<b>200,000,000</b>
<b>Performance Shares</b>	<b>Number<sup>1</sup></b>
Performance Shares to be issued to Key Idea in consideration for the Thred Acquisition (Resolution 4)	140,000,000
Performance Shares to be issued to Armada Capital in satisfaction of a 5% success fee in connection with the Thred Acquisition <sup>3</sup> (Resolution 5)	7,000,000
<b>Total Performance Shares on completion of the Thred Acquisition</b>	<b>147,000,000</b>
<b>Options</b>	<b>Number<sup>1</sup></b>
Unquoted Options exercisable at \$0.25 each on or before 10 December 2015 <sup>2</sup>	5,412,500
Unquoted Options exercisable at \$0.25 each on or before 27 February 2016 <sup>2</sup>	6,833,334
Unquoted Options to be issued to Armada Capital exercisable at \$0.0625 each on or before 30 May 2017 (Resolution 5)	100,000,000
<b>Total Options on completion of the Thred Acquisition</b>	<b>112,245,834</b>
<b>Total issued Shares</b>	<b>Number<sup>1</sup></b>
<b>Total issued Shares on re-instatement to ASX (undiluted)<sup>2</sup></b>	<b>597,353,117</b>
<b>Total issued Shares on re-instatement to ASX assuming all of the current issued Options are exercised before reinstatement<sup>2</sup></b>	<b>609,598,951</b>

**Notes:**

1. All numbers and amounts in the above table are stated on a post-Consolidation basis, ignoring the treatment of fractional entitlements under the Consolidation.

2. As the last sale on the ASX trading day immediately preceding the date of this Notice was \$0.008, the Options are not "in the money" (taking account of the Consolidation) and it is therefore unlikely that they will be exercised before the Company's reinstatement to trading on ASX. Assumes no Convertible Notes are converted prior to reinstatement. If all of the Convertible Notes are converted by the Noteholders, an additional 200 million Shares (on a post-Consolidation basis) will be issued (disregarding Shares which may be issued in satisfaction of accrued interest).
3. Calculated by reference to the number of Consideration Securities issued as consideration for the Thred Acquisition.
4. Disregarding Shares to be issued in satisfaction of accrued interest.

## 10. Indicative timetable

An indicative timetable for re-compliance with the admission requirements is set out in the following table:

Event	Date <sup>1</sup>
Consolidation announced and Notice of Meeting dispatched	16 September 2015
Lodge Prospectus with ASIC and ASX	30 September 2015
Opening of offer under the Prospectus	1 October 2015
Application for admission to ASX (Appendix 1A)	7 October 2015
Suspension from trading (pre-market open)	16 October 2015
General Meeting ASX notified that Shareholders have approved the Consolidation.	16 October 2015
Last day for trading in pre-Consolidation securities. <sup>2</sup>	19 October 2015
Trading in post-Consolidation securities on a deferred settlement basis starts. <sup>2</sup>	20 October 2015
Record date for the Consolidation. Last day to register transfers on a pre-Consolidation basis. Close of offer under the Prospectus	22 October 2015
First day to notify securityholders of the number of securities held before and after the Consolidation. First day to register securities on a post-Consolidation basis and first day for issue of holding statements.	23 October 2015
Consolidation issue date (securityholders' holdings updated to reflect the effect of the Consolidation). Deferred settlement market ends. <sup>2</sup>	27 October 2015
Completion of Thred Acquisition and issue of Shares under the Prospectus	30 October 2015
Expected date for re-quotation of the Company's securities on ASX	13 November 2015

### Notes:

1. The above dates are indicative only and are subject to change without notice.
2. In accordance with ASX policy, ASX will suspend trading in the Company's securities before trading starts on the date of the General Meeting. Then, if Shareholders approve the change to the nature and scale of activities of the Company and the other Acquisition Resolutions, trading in the Company's securities will be immediately suspended until re-compliance with the admission requirements is achieved.

## 11. Pro-forma statement of financial position

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Set out in Annexure A is a pro-forma consolidated statement of financial position of the Company taking into account the Thred Acquisition. The pro-forma statement of financial position illustrates the effect of the Thred Acquisition, the Capital Raising and the other issues of Securities contemplated by this Notice of Meeting as if they had occurred on 1 January 2015.

## 12. Advantages and disadvantages of the Thred Acquisition

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This section sets out the key advantages and disadvantages of the Thred Acquisition. In addition to the advantages and disadvantages set out below, your Directors refer you to the Independent Expert's Report which is included with this Notice of Meeting. The Directors believe the advantages of the proposed transactions substantially outweigh the disadvantages.

### Advantages

- **More certain return to Shareholder value creation:** The Directors have been mindful of the state of the Australian share market and the financing difficulties in the global junior resources sector. As a result, they have sought good investment opportunities. In the current share market environment there is greater likelihood of restoring Shareholder value by progressing the Thred Acquisition than if Promesa were simply to remain a junior mineral explorer listed on ASX.
- **Increased investor interest and market liquidity:** Until recently, transactions in Promesa Shares on ASX have been sparse. More recently, this has changed and is mostly related to the 12 April 2015 announcement of the proposed acquisition of Thredit. It is not unreasonable to anticipate improved liquidity going forward following completion of the Thred Acquisition. Furthermore, a larger market capitalisation and enhanced Shareholder base resulting from the Thred Acquisition and Capital Raising may provide a more liquid market for the Company's Shares than currently exists.
- **No cash payment for an existing growing business with track record:** The proposed Thred Acquisition does not require the payment of cash consideration. Furthermore, part of the share based payments to Key Idea includes Performance Shares that are linked to financial hurdles. The Performance Shares have hurdles that must be achieved for conversion to ordinary Shares and relate to milestones regarding the Thred App. The milestones apply for certain periods following the date of completion of the Capital Raising, including 90 days, 180 days and 360 days. They involve target triggers in relation to the launch, downloading and updating of the Thred App.
- **New skill and experience for the Board:** The appointment of the Proposed Directors will add skill and experience to the Board to assist with the Company's growth.
- **Improved ability to raise funding:** Shareholders may be exposed to further debt and equity funding opportunities that the Company did not have before the Thred Acquisition. The Company's ability to raise funds and attract expertise will likely be improved.

- **New investment potential:** The Thred Acquisition may encourage new investors in the Company as the Company will be pursuing a new strategic direction. This improvement in the attractiveness of an investment in the Company may lead to an increased liquidity of Shares and greater trading depth than currently experienced by Shareholders.

#### **Disadvantages**

- **Issue of new securities pursuant to the Resolutions will dilute existing Shareholders:** Assuming the Capital Raising is fully subscribed, the Thred Acquisition and the passing of the Acquisition Resolutions will result in Shareholders' interests in the Company being diluted by approximately 88.78%. Consequently, the current shareholders' influence over the Company's affairs (including the composition of the Board and the acquisition and disposal of assets) will be reduced.
- **Change of business focus and with a move away from mineral exploration focus:** It is very likely that the Company will, following completion of the Thred Acquisition, move away from mineral exploration and focus on information technology infrastructure and the social media environment. This may be seen as a disadvantage to some Shareholders who were seeking, via the Company, a "pure" mineral exploration investment.
- **Transaction and Capital Raising costs:** The proposed Thred Acquisition has required Promesa to engage a number of advisers, lawyers and experts to facilitate and report on the proposal. This work includes preparation of the Notice of Meeting, the Independent Expert's Report and a prospectus to ensure compliance with ASX Listing Rules and other statutory requirements and approvals.
- **New risk profile:** The Company and its Shareholders will be exposed to risks associated with Thredit and its business, including (but not limited to) those set out in paragraph 13 below.
- **Change to largest shareholder:** Following the issue of the Consideration Securities to Key Idea (an entity controlled by Proposed Director, David Whitaker), Key Idea will become the largest Shareholder in the Company. In this scenario, Key Idea may have the ability to significantly influence or control the Company.

## 13. Risks

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### Specific risk factors

- **No operating track record:** Thredit is a recently established company and has no operational track record, with a number of its key personnel only recently appointed to management. Execution of Thredit's business plan may take longer to achieve than planned and the costs of doing so may be higher than budgeted. As Thredit is at an early stage of development, there are significant uncertainties associated with forecasting future revenues and expenses. The Acquisition must therefore be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development.
- **Intellectual property:** Whilst Thredit will seek to protect innovative features and processes that it creates during the development of its applications, Thredit's intellectual property rights are currently unregistered and therefore do not attract the benefit of formal patent protection.
- **Country risk:** The Company's operations will primarily be conducted in Hong Kong. Accordingly, the Company is exposed to a range of multi-jurisdictional risks such as risks relating to labour practices, environmental matters, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regime (including in relation to taxation and foreign investment and practices of government and regulatory authorities) and other issues in foreign jurisdictions in which the Company operates.
- **Privacy:** Thredit, the Thred App and platform will be launched globally and as such will be subject to privacy laws that may differ in each specific jurisdiction in which Thredit operates. If a breach of privacy occurs, it may expose Thredit and/or the Company to litigation or regulatory enquiry.
- **Potential changes in API's:** Platforms, apps and systems change aspects of their APIs regularly and for many different reasons. If Thredit is unable to respond to a change in an API in an appropriate manner, Thred users may experience some reduced cross-platform functionality regarding interaction with that platform, app or system.
- **Currency risk:** The Company is seeking to raise funds under the Capital Raising in Australian dollars. Whilst in the short term, it is anticipated that this will have a limited impact on the Company's costs of doing business, in the medium to longer term it is likely that the majority of Thredit's revenue will be in US dollars or other local currencies. As such, the Company may be adversely affected by changes in exchange rates relative to the Australian dollar.
- **Competitors:** The mobile applications market and specifically the messaging and social applications markets are highly competitive. Thredit faces competition from a wide range of application publishers from established well known publishers to start-ups looking to break into the market. Thredit cannot control or influence its competitors' actions and activities. The actions by competitors may impact the adoption, revenue and/or profitability of Thredit and therefore the Company's financial condition. A key risk for Thredit in a competitive environment such as this is that it may not achieve the user adoption or adequate engagement from users over existing or yet to be launched competitors. Although Thredit will look to overcome these challenges through consistent product iteration and testing, it is

nonetheless vulnerable to unforeseen innovations, discoverability challenges and/or market saturation.

- **Technology:** Thredit will seek to remain abreast of key technological innovations affecting the social media and messaging markets. However, the rapid growth of both of these markets creates an environment where unforeseen changes can happen quickly, making it difficult for Thredit to adapt its offering fast enough to cope with these changes. There is a risk that Thredit will be unable to acquire new users or retain existing users should Thredit's applications become less desirable vis-à-vis the competition in the marketplace.
- **Security:** Thredit could suffer unauthorised infiltration by hackers disrupting service to users, stealing user data or otherwise affecting the Company's operations. Such actions could compromise user data or otherwise damage goodwill, resulting in changes in user behaviour and overall dissatisfaction.
- **Third party reliance:** To some extent Thredit relies on third parties for key aspects of its operations. This is a risk of third parties restricting access to their APIs or no longer being capable of providing the services that they currently offer. Thredit's strategy is to spread reliance on third parties across a number of parties. In addition, the Board anticipates that as adoption of Thredit's applications grows, reliance on third parties will decrease.
- **Personnel:** Thredit is reliant on the expertise and talent of its personnel. The loss of key personnel could have an adverse impact on the operations of the organisation. In addition, there is risk that development staff who have been involved in the development of the applications could be lost and in turn their knowledge of the product and business could be lost as well. Thredit seeks to mitigate this risk by maintaining good relations with personnel and suppliers. In addition Thredit maintains employment and services contracts with respect to confidentiality and ownership of intellectual property.
- **Market:** The mobile applications industry and specifically the messaging apps and social networks apps industries are still relatively undeveloped in spite of the number of applications with large user bases. As such, the revenue models vary greatly and the market size and potential is still uncertain. In this market with diverse but relatively new revenue streams Thredit may not be able to establish a meaningful position prior to its competitors for key transactions taking place within the applications. It will be Thredit's responsibility to develop effective solutions prompting users to engage with and/or execute transactions from or within its applications. There is also a risk that competitors could launch substantially similar applications as Thredit and as such the speed to get to market is of high importance. Thredit will seek to mitigate this risk through its development processes and user testing processes.
- **Additional requirements for capital:** The Company's capital requirements are influenced by numerous factors. Depending on the rate of user growth, the ability to generate revenue and other factors, the Company may require financing in addition to the amounts raised under the Offer. Any additional equity financing may dilute shareholdings and debt financing, if available, may place restrictions on operating and financing activities. If the Company cannot acquire additional financing then it may be forced to alter its plan of operations.
- **Risk of high volume of sales in Securities:** If the transaction is successfully completed, the Company will have issued a significant number of Shares to various



parties. Some of the parties that apply for Shares may not wish to hold those Shares and may wish to sell them on the ASX (subject to applicable escrow period). There is a risk that an increase in the amount of people wanting to sell Shares may adversely impact the prices of the Company's securities. There can be no assurance that there will be, or continue to be, an active market for Shares or that the price of the Shares will increase.

### **General risk factors**

- **Economic conditions:** Thredit's performance is likely to be affected by changes in economic conditions. Profitability of the business may be affected by some or all of the factors listed below:
  - (a) future demand for social media networks;
  - (b) the level of spending on mobile phone apps by users globally;
  - (c) general financial issues which may affect policies, exchange rates, inflation and interest rates;
  - (d) deterioration in economic conditions, possibly leading to reductions in consumer spending and other potential revenues which could be expected to have a corresponding adverse impact on the Company's operating and financial performance;
  - (e) the strength of the equity and share markets in Australia and throughout the world;
  - (f) financial failure or default by any entity with which Thredit may become involved in a contractual relationship;
  - (g) industrial disputes in Australia and overseas;
  - (h) changes in investor sentiment toward particular market sectors;
  - (i) the demand for, and supply of, capital; and
  - (j) terrorism or other hostilities.
- **Government policies and legislation:** Social media may be affected by changes to government policies and legislation, including those relating to privacy, and taxation.
- **Insurance:** The Company, wherever practicable and economically advisable, utilises insurance to mitigate business risks. Such insurance may not always be available or particular risks may fall outside the scope of insurance cover. In addition, there remains the risk that an insurer defaults in the payment of a legitimate claim by the Company.
- **Litigation:** Litigation brought by third parties including but not limited to customers, partners, suppliers, business partners or employees could negatively impact the business in the case where the impact of such litigation is greater than or outside the scope of the Company's insurance.
- **Other general risks:** Other general risks associated with investment in the Company may include:

- (a) fluctuation of the price at which the Company's shares trade due to market factors; and
- (b) price volatility of the Company's shares in response to factors such as:
  - (i) additions or departures of key personnel;
  - (ii) litigation and legislative change;
  - (iii) press newspaper or other media reports; and
  - (iv) actual or anticipated variations in the Company's operating results.

#### **14. Future direction for the Company if the change to nature and scale of activities is not approved**

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If the Acquisition Resolutions are not passed, the Thred Acquisition and the Capital Raising will not proceed. In this circumstance the Company will continue with its present activities and the evaluation of potential opportunities that might meet criteria capable of adding significant Shareholder value.

#### **15. Directors' recommendation**

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The Directors consider that the proposed change to the nature and scale of activities of the Company arising from the Thred Acquisition has the potential to add significant Shareholder value for the Company's Shareholders.

**Accordingly, the Directors recommend the Thred Acquisition, and that Shareholders vote in favour of the Acquisition Resolutions.**

## Part 2 – Explanation of the Proposed Resolutions

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### Resolution 1 – Change to nature and scale of activities

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#### Background

ASX Listing Rule 11.1 provides that if 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. Further, the following rules apply in relation to the proposed change:

- (a) The entity must give ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) If ASX requires, the entity must get the approval of holders of its ordinary securities; and
- (c) If ASX requires, the entity must meet the requirements in chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list.

The acquisition by the Company of all the issued share capital of Thredit involves a significant change to the nature of the Company's main business activity from exploring for minerals to the provision of security, monitoring and risk management services. Furthermore, the Thred Acquisition involves a significant change to the size of the Company's business operations.

Given these circumstances, ASX has exercised its discretion to require the significant change to the nature and scale of the Company's main business activity to be approved by the Company's Shareholders under ASX Listing Rule 11.1.2. Further, ASX has notified the Company that the significant change to the nature and scale of the Company's main business activity will require re-compliance with ASX's admission requirements in chapters 1 and 2 of the ASX Listing Rules.

If Resolution 1 is passed the Company will have complied with the ASX requirement to obtain Shareholder approval for the significant change to the nature and scale of its activities. Conversely if Resolution 1 is not passed the Company will not be allowed to change the nature and scale of its activities as proposed in this Explanatory Statement and the Thred Acquisition will not proceed.

#### Directors' recommendation

The passing of Resolution 1 is conditional upon, and subject to, each other Acquisition Resolution being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 1, you should also vote in favour of each other Acquisition Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

### Resolution 2 – Consolidation of capital

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#### Background

Resolution 2 seeks Shareholder approval to consolidate the number of Shares and Options on issue on a 1 for 5 basis (**Consolidation**).

The 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 (as amended by

waivers received from the ASX) as part of the re-quotation of the Shares on the ASX, should Shareholder approval be obtained for the Acquisition Resolutions.

The Directors intend to implement the Consolidation prior to completion of the Third Acquisition and prior to the proposed issue of Shares pursuant to the Capital Raising, the proposed issue of Shares to Noteholders, Series A Convertible Loan lenders and Series B Convertible Loan lenders and the proposed issue of the Securities contemplated by Resolutions 5 and 6. However, the Consolidation will only occur if Shareholders approve the Acquisition Resolutions.

### **Corporations Act and ASX Listing Rules requirements**

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

The ASX Listing Rules also require that the number of options on issue be consolidated in the same ratio as the ordinary shares and the exercise price of options be amended in inverse proportion to that ratio. Similarly, the number or the conversion price (or both) of convertible securities (other than options) must be reorganised so that the holders of the convertible securities do not receive a benefit that holders of ordinary securities do not receive.

### **Fractional entitlements**

Not all Shareholders and holders of Options will hold a number of Shares or Options which can be evenly divided by 5. Where a fractional entitlement occurs, the Company will round the fraction down to the nearest whole number.

### **Taxation**

It is not considered that any taxation implications will arise for Shareholders or holders of Options from the Consolidation. However, Shareholders and holders of Options are advised to seek their own tax advice on the effect of the Consolidation. The Company, the 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 proposed Resolutions.

### **Holding statements**

From the date of the Consolidation, all holding statements for previously quoted Shares will cease to have any effect, except as evidence of an entitlement to a certain number of Shares on a post-Consolidation basis.

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

It is the responsibility of each Shareholder to check the number of Shares held prior to subsequent disposal.

### **Effect on capital structure**

The estimated effect which the Consolidation will have on the capital structure of the Company is set out below:

<b>Shares</b>	<b>Pre-Consolidation Number</b>	<b>Post-Consolidation Number<sup>4</sup></b>
Shares currently on issue	480,515,585	96,103,117
Consideration Shares to be issued to Key Idea	-	250,000,000
Maximum number of Shares to be issued pursuant to the Capital Raising	-	200,000,000
Maximum number of Shares to be issued at a deemed issue price of \$0.025 per Share upon conversion of Series A Convertible Loans <sup>3</sup>	-	20,000,000
Maximum number of Shares to be issued at a deemed issue price of \$0.04 per Share upon conversion of Series B Convertible Loans <sup>3</sup>	-	12,500,000
Maximum number of Shares to be issued to Armada Capital at a deemed issue price of \$0.05 each in satisfaction of a 5% success fee in connection with the Thred Acquisition <sup>2</sup>	-	12,500,000
Maximum number of Shares to be issued to Dean Bannister at a deemed issue price of \$0.05 each in satisfaction of a 2.5% success fee in connection with the Thred Acquisition <sup>2</sup>	-	6,250,000
<b>TOTAL:</b>	<b>480,515,585</b>	<b>597,353,117</b>
<b>Convertible Notes</b>		
Convertible Notes (issued by the Company between 27 February 2015 and 13 May 2015) convertible into Shares at \$0.001 per Share on or before 31 December 2015	1,000,000,000	-
Convertible Notes (issued by the Company between 27 February 2015 and 13 May 2015) convertible into Shares at \$0.005 per Share on or before 31 December 2015	-	200,000,000
<b>TOTAL:</b>	<b>1,000,000,000</b>	<b>200,000,000</b>
<b>Options</b>		
Unquoted Options exercisable at \$0.05 each on or before 10 December 2015 <sup>1</sup>	27,062,500	-
Unquoted Options exercisable at \$0.05 each on or before 27 February 2016 <sup>1</sup>	34,166,667	-
Unquoted Options exercisable at \$0.25 each on or before 10 December 2015 <sup>1</sup>	-	5,412,500
Unquoted Options exercisable at \$0.25 each on or before 27 February 2016 <sup>1</sup>	-	6,833,334
Options to be issued to Armada Capital exercisable at \$0.0625 each on or before 30 May 2017	-	100,000,000
<b>TOTAL:</b>	<b>61,229,167</b>	<b>112,245,834</b>

**Notes:**

1. As the last sale on the ASX trading day immediately preceding the date of this Notice was \$0.008, the Options are not "in the money" (taking account of the Consolidation) and it is therefore unlikely that they will be exercised before the Company's re-instatement to trading on ASX.
2. Calculated by reference to the number of Consideration Securities issued as consideration for the Thred Acquisition.
3. Disregarding Shares to be issued in satisfaction of accrued interest.
4. Post-Consolidation figures ignore treatment of fractional entitlements.

### **Indicative timetable**

If the Acquisition Resolutions are passed, the Consolidation is proposed to take effect in accordance with the indicative timetable set out in Part 1, paragraph 10 of the Explanatory Statement.

### **Directors' recommendation**

The passing of Resolution 2 is conditional upon, and subject to, each other Acquisition Resolution being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 2, you should also vote in favour of each other Acquisition Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

## **Resolution 3 – Creation of a new class of Securities (Performance Shares)**

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### **Background**

The Binding Heads of Agreement entered into with Key Idea provide for the acquisition by the Company of all the issued share capital of Thredit for the following consideration:

- (a) the issue to Key Idea of 250 million Shares (on a post-Consolidation basis); and
- (b) the issue to Key Idea of 140 million Performance Shares.

The purpose of Resolution 3 is to seek approval from shareholders for the creation and issue of the Performance Shares, being a new class of securities having different rights to the existing Shares.

### **Section 246C(5) of the Corporations Act**

Section 246C(5) of the Corporations Act provides that if a company with one class of shares issues new shares, the issue is taken to vary the rights attached to the shares already on issue if the rights attaching to the new shares are not the same as the rights attached to shares already issued and those rights are not provided for in the company's constitution or a notice, document or resolution that is lodged with ASIC.

Further, section 246B of the Corporations Act and the Constitution provide that the rights attached to shares in a class of shares may be varied only by special resolution of the Company and either:

- (a) by special resolution passed at a meeting of the members holding shares in the class; or
- (b) with the written consent of members with at least 75% of the votes in the class.

Full terms of the Performance Shares are set out in Annexure B to this Notice.

### **Directors' recommendation**

The passing of Resolution 3 is conditional upon, and subject to, each other Acquisition Resolution being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 3, you should also vote in favour of each other Acquisition Resolution.

The passing of Resolution 3 is conditional upon, and subject to, each other Acquisition Resolution being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 3, you should also vote in favour of each other Acquisition Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

## **Resolution 4 – Issue of Consideration Securities to Key Idea and increase in relevant interest**

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### **Background**

Resolution 4 seeks approval by Shareholders for:

- (a) the issue of the Consideration Securities (on a post-Consolidation basis) to Key Idea (or its nominee) in consideration for the Acquisition; and
- (b) the acquisition by Key Idea of a relevant interest in the Company's voting shares which would otherwise be prohibited by section 606(1) of the Corporations Act.

Assuming Key Idea does not acquire a relevant interest in Shares prior to the issue of the Consideration Securities and assuming the Company's capital structure doesn't change (other than by virtue of the Shares the subject of the Acquisition Resolutions being issued, Key Idea's voting power in the Company will increase from 0% up to approximately 50.27% as a result of the issue of the Consideration Securities (subject to rounding following the Consolidation and assuming only the minimum of \$5 million is raised under the Capital Raising). If the Capital Raising is fully oversubscribed to raise \$10 million, then Key Idea's voting power would increase from 0% up to 41.85%.

Pursuant to ASX Listing Rule 7.2 (exception 16), Shareholder approval pursuant to ASX Listing Rule 7.1 is not required where approval is being obtained pursuant to section 611 (item 7) of the Corporations Act. Accordingly, if Resolution 4 is passed, the issue of the Consideration Securities will be made without using the Company's 15% annual placement capacity and the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1.

Although Key Idea is controlled by Mr David Whitaker (a Proposed Director and a related party of the Company pursuant to section 228(6) of the Corporations Act), approval pursuant to Listing Rule 10.11 is not required because Mr Whitaker is only a related party of the Company by reason of the Thred Acquisition (which is the reason for the proposed issue of Securities to Key Idea).

The Corporations Act and ASIC Regulatory Guide 74 set out a number of regulatory requirements which must be satisfied. These are summarised below:

### **Section 606 of the Corporations Act – statutory prohibition**

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

- (a) from 20% or below to more than 20%; or
- (b) from a starting point above 20% and below 90%.

### **Voting power and relevant interests**

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

A person (second person) will be an “associate” of the other person (first person) if:

- (a) the first person is a body corporate and the second person is:
- (b) a body corporate the first person controls;
- (c) a body corporate that controls the first person; or
- (d) a body corporate that is controlled by an entity that controls the first person;
- (e) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Company’s board or the conduct of the Company’s affairs; or
- (f) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the Company’s affairs.

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

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

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

Section 608(3) of the Corporations Act provides that a person has the relevant interests in any securities held by a body corporate in which the person’s voting power is above 20%.

Upon issue of the Consideration Shares, Key Idea’s shareholding and voting power will increase from 0% to:

- (a) up to 50.27% if only the minimum subscription of \$5 million under the Capital Raising is achieved; or
- (b) 41.85% if the maximum subscription of \$10 million under the Capital Raising is achieved.

#### **Section 611 Item 7 of the Corporations Act – Exemption from Section 606**

Section 611 of the Corporations Act provides that certain acquisitions of relevant interests in a company’s voting shares are exempt from the prohibition in Section 606(1), including acquisitions approved previously by a resolution passed at a general meeting of the company in which the acquisition is made (Section 611 Item 7).

For the exemption in Section 611 Item 7 to apply, Shareholders must be given all information known to the person proposing to make the acquisition or their associates, or known to the Company, that was material to the decision on how to vote on the resolution. The ASIC has indicated what additional information should be provided to shareholders in these circumstances.



For the purposes of the Corporations Act and Regulatory Guide 74 the following information is disclosed in relation to the acquisition of a relevant interest in the Company by Key Idea. Shareholders are also referred to the Independent Expert's Report prepared by the Independent Expert which forms part of this Explanatory Statement at Annexure F.

The figures in the following section assume that:

- (a) all of the Consideration Shares have been issued and no additional securities are issued; and
- (b) Key Idea does not acquire any securities other than those referred to in Resolution 4.

**Prescribed Information:**

- (a) The identity of the person proposing to make the acquisition of the relevant interest and their associates: Key Idea will acquire the relevant interest in the Shares. Key Idea's only associate is David Whitaker, a Proposed Director.
- (b) The maximum extent of the increase in the person's voting power in the Company that would result from the acquisition of the relevant interest: 41.85% (assuming the Capital Raising is fully oversubscribed to raise \$10 million) or 50.27% (assuming the Capital Raising raises the minimum subscription of \$5 million).
- (c) The voting power that person would have as a result of the acquisition of the relevant interest (assuming the minimum subscription is raised under the Capital Raising): 50.27%
- (d) The voting power that person would have as a result of the acquisition of the relevant interest (assuming the maximum subscription is raised under the Capital Raising): 41.85%
- (e) The maximum extent of the increase in the voting power of each of Key Idea's associates that would result from the acquisition of the relevant interest: 50.27% (assuming the minimum subscription is raised under the Capital Raising) or 41.85% (assuming the maximum subscription is raised under the Capital Raising).
- (f) The voting power that each of Key Idea's associates would have as a result of the acquisition of the relevant interest: 50.27% (assuming the minimum subscription is raised under the Capital Raising) or 41.85% (assuming the maximum subscription is raised under the Capital Raising).
- (g) Key Idea has informed the Company that Key Idea:
  - intends to change the Company's business in the manner described in Part 1, Section 2 of this Explanatory Statement;
  - does not presently intend to inject further capital into the Company;
  - does not propose to change the Company's employment arrangements;
  - does not intend to transfer any property between the Company and Key Idea nor any person associated with Key Idea;
  - does not intend to redeploy any of the Company's fixed assets; and
  - has no current intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to Key Idea at the date of this Notice of Meeting. These present intentions may change as new information becomes available, as circumstances change or in light of all material information, facts and circumstances

necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

### **Directors' recommendation**

The passing of Resolution 4 is conditional upon, and subject to, each other Acquisition Resolution being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 4, you should also vote in favour of each other Acquisition Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

### **Resolution 5 – Issue of Securities to a related party, Armada Capital**

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Resolution 5 seeks Shareholder approval under ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act for the issue of:

- (a) 100,000,000 Options (on a post-Consolidation basis) exercisable at \$0.0625 each within 3 years from their date of issue to Armada Capital, a related party of the Company; and
- (b) up to 12,500,000 Shares and up to 7,000,000 Performance Shares to Armada Capital in satisfaction of a success fee equal to 5% (by number) of the Consideration Securities,

(together, the **Related Party Securities**) (**Related Party Placement**).

### **ASX Listing Rule 10.11**

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

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

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

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed Related Party Placement:

- (a) The related party is Armada Capital and it is a related party by virtue of being an entity controlled by a relative of Ananda Kathiravelu, a Director.
- (b) The maximum number of Related Party Securities (being the nature of the financial benefit being provided) to be granted to Armada Capital (on a post-Consolidation basis) is as follows:
  - (i) 100,000,000 Options;
  - (ii) 12,500,000 Shares; and
  - (iii) 7,000,000 Performance Shares.

- (c) The Related Party Securities will be issued to Armada Capital no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date.
- (d) The Related Party Securities will be issued for nil cash consideration, accordingly no funds will be raised.
- (e) The Options will be issued on the terms set out in Annexure C to this Notice;
- (f) The Shares will be fully paid, ordinary shares and will be issued at a deemed issue price of \$0.05 per Share, or \$625,000 in total.
- (g) The Performance Shares will be issued on the terms set out in Annexure B to this Notice.
- (h) The value of the Related Party Securities and the pricing methodology is set out in Annexure D.
- (i) As at the date of this Notice, Armada Capital does not hold any Securities. However, Armada Capital's associates (which include Mr Kathiravelu), have a relevant interest in 1,543,336 Shares.
- (j) The remuneration and emoluments from the Company to Armada Capital and Ananda Kathiravelu for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Financial Year Ended 30 June 2015
Armada Capital	Nil <sup>1</sup>	\$113,993
Ananda Kathiravelu	\$131,400 (incl. \$11,400 superannuation)	\$131,400 (incl. \$11,400 superannuation)

**Note 1:** Pursuant to the terms of Armada Capital's mandate with the Company which relates to provision of services in connection with the Thred Acquisition and the Capital Raising, Armada Capital is entitled to receive a management fee equal to 1% of all funds raised by the Company as a result of the Thred Acquisition and the Capital Raising (**Management Fee**) and a placement fee equal to 5% of all funds raised by the Company from parties introduced by Armada Capital (**Placement Fee**). As at the date of this Notice, the sum of those fees are unknown, however, assuming the Capital Raising is fully subscribed to raise \$10 million, the maximum potential Management Fee is \$100,000 and the maximum potential Placement Fee is \$500,000.

- (k) If the Related Party Securities are issued, exercised and converted, a total of 119,500,000 Shares would be issued. This will increase the number of Shares on issue from 96,103,117 (on a post-Consolidation basis) to 844,353,117 (on a post-Consolidation basis) assuming that no other convertible securities currently on issue are converted or exercised and no Securities other than those contemplated by the Acquisition Resolution are issued, converted and exercised, with the effect that the shareholding of existing Shareholders would be diluted by 14.15%.
- (l) The market price for Shares during the term of the Options forming part of the Related Party Securities would normally determine whether or not the Options are exercised. If, at any time any of the Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company.

- (m) The trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	\$0.033	30 July 2014
Lowest	\$0.002	2 April 2015
Last	\$0.008	10 September 2015

- (n) The primary purpose of the grant of the Related Party Securities to Armada Capital is to remunerate Armada Capital for services provided to the Company in connection with the Thred Acquisition.
- (o) The grant of the Options and Performance Shares will align Mr Kathiravelu's interests with those of Shareholders.
- (p) The grant of the Related Party Securities is a reasonable and appropriate method to provide cost effective remuneration to Armada Capital in consideration for services provided to the Company in connection with the Thred Acquisition as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Armada Capital.
- (q) The Directors (other than Mr Kathiravelu) do not anticipate that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Related Party Securities upon the terms proposed.
- (r) With the exception of Mr Kathiravelu, no other Director has a personal interest in the outcome of Resolution 5.
- (s) The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 5.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1. The passing of Resolution 5 is conditional upon, and subject to, each other Acquisition Resolution being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 5, you should also vote in favour of each other Acquisition Resolution.

#### **Directors' recommendation**

**Ananda Kathiravelu declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution.**

**The Directors (other than Mr Kathiravelu) recommend Shareholders vote in favour of this Resolution. In forming their recommendations, each Director considered Mr Kathiravelu's experience, the current market price of Shares as well as the exercise price, expiry date and conversion terms of the Related Party Securities.**

## **Resolution 6 – Issue of Shares to Dean Bannister**

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### **Background**

Resolution 6 seeks Shareholder approval under ASX listing Rule 7.1 for the issue of up to 6,250,000 Shares (on a post-Consolidation basis) to Mr Dean Bannister in satisfaction of a 2.5% success fee for introducing the Thred Acquisition to the Company (**Placement**).

### **ASX Listing Rule 7.1**

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3.

- (a) The Company will issue a maximum of 6,250,000 Shares (on a post-Consolidation basis) pursuant to the Placement (being equal to 2.5% of the number of Consideration Shares being issued to Key Idea).
- (b) The Shares will be issued no later than 3 months after the date of the Meeting or such later date as permitted by ASX. It is intended that all Shares issued under the Prospectus will be issued on the same date;
- (c) The Shares will be issued to Mr Dean Bannister, or his nominee.
- (d) The Shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- (e) The Shares will be issued for a deemed issue price of \$0.05 per Share in satisfaction of fees payable to Mr Bannister in connection with introducing the Thred Acquisition to the Company. Accordingly, no funds will be raised from the issue of the Shares.
- (f) A voting exclusion statement is included in the Notice.

### **Directors' recommendation**

The passing of Resolution 6 is conditional upon, and subject to, each other Acquisition Resolution being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 6, you should also vote in favour of each other Acquisition Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

## **Resolution 7 – Capital Raising**

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### **Background**

Resolution 7 seeks approval by Shareholders under ASX listing Rule 7.1 for the issue of up to 200,000,000 Shares (on a post-Consolidation basis) at a minimum issue price of \$0.05 per Share to raise a minimum of \$5,000,000 and up to \$10,000,000.

The Company proposes to undertake the Capital Raising in conjunction with the Thred Acquisition, under the Prospectus, to satisfy ASX listing Rule 1.1 condition 3 and re-comply with ASX's admission requirements.

The Company intends to issue the Prospectus on or about 30 September 2015.

If Resolution 7 is passed, it will permit the Directors to complete the Capital Raising no later than 3 months after the date of the Meeting (or such longer period as allowed by ASX) without impacting on the Company's 15% placement limit under ASX Listing Rule 7.1.

### ASX Listing Rule 7.1

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3.

- (a) The Company will issue a maximum of 200,000,000 Shares (on a post-Consolidation basis) pursuant to the Capital Raising.
- (b) The Shares will be issued no later than 3 months after the date of the Meeting or such later date as permitted by ASX. It is intended that all Shares issued under the Prospectus will be issued on the same date.
- (c) The issue price will be a minimum of \$0.05 per Share.
- (d) The Shares will be issued to successful applicants under the Prospectus who are not related parties of the Company.
- (e) The Shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- (f) The funds raised under the Prospectus are intended to be used for the following purposes:

Activity	Minimum Subscription \$		Maximum Subscription \$	
	Year 1	Year 2	Year 1	Year 2
Expenses of the Offer	567,076	Nil	867,076	Nil
Customer acquisition costs – sales and marketing	1,616,700	1,077,800	2,694,500	2,694,500
Development and engineering	705,600	470,400	1,176,000	1,176,000
Working capital	312,424	250,000	891,924	500,000
Subtotal:	3,201,800	1,798,200	5,629,500	4,370,500
<b>Total:</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>	<b>10,000,000</b>

Further details on the use of funds will be provided in the Prospectus.

- (g) A voting exclusion statement is included in the Notice.

## **Directors' recommendation**

The passing of Resolution 7 is conditional upon, and subject to, each other Acquisition Resolution being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 7, you should also vote in favour of each other Acquisition Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

## **Resolutions 8 – 10 – Election of Directors**

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### **Background**

Clause 13.4 of the Constitution allows the Directors at any time to appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 13.4 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

David Whitaker, Christopher Jones and Christopher Adams are proposed to be appointed as Directors upon completion of the Thred Acquisition, and seek election from Shareholders.

### **Details of proposed Directors**

The qualifications and experience of the proposed Directors are set out below:

#### **David Whitaker**

David Whitaker is a high-tech entrepreneur with extensive expertise in building high growth digital businesses. After 17 years in IT & digital recruitment, David has founded and built businesses spanning mobile applications to group buying to digital agencies. His ability to rapidly coordinate teams for high growth and establish strategic partnerships for early startup companies has made him a highly sought after resource for companies expanding into the Asian market. David has provided strategic counsel to brands such as SAB Miller, Yahoo and Macquarie Bank. Originally from Australia, David has lived in Hong Kong for 10 years.

#### **Christopher Jones**

Chris Jones is one of Australia's leading experts in app marketing and user acquisition. Chris has consulted to hundreds of app marketers and developers, including Microsoft, Cheetah Mobile, Visual Supply Co and many others. Chris's background spans both large brands and startups. He has held management roles with Boost Mobile, Mattel & Virgin Mobile Australia as well as several Australian based startups. A graduate of The Kellogg School of Management at Northwestern University, Chris resides in Sydney and is passionate about mobile, soccer and his wife and 3 children.

#### **Christopher Adams**

Chris Adams is an internationally recognised digital strategist, social media pioneer, adviser and technology executive with over twenty years' experience in accelerating businesses. In 2006, Chris was asked by Facebook, then a fledgling social media network, to integrate video onto its platform. This was a pivotal moment in Facebook's consolidation of its brand and user interface. He also played a key role for Facebook in both the creation and production of the acclaimed reality TV series "Facebook Diaries".

Chris served as Senior Vice President of Business Development and Chief Vision Officer for Participant Media and was involved in its first slate of movies. He assisted Comcast Cable & Interactive to secure sponsorship for its video on demand platform and led entertainment business development for both Amazon and Lycos and until recently, he served as CEO and Executive Director of video streaming and syndication company, Spondo.com.

Chris is on the Advisory Boards of companies Manalto, (ASX Code: MTL), Spiral Toys (OTCBB: STOY) VoiceByte and Impact Academy. He is also an award-winning children's author, with his next book narrated by Hugh Jackman scheduled for publication in early 2016, with the proceeds benefiting The Global Poverty Project and World Vision Australia.

#### **Directors' recommendation**

The passing of Resolutions 8 to 10 (inclusive) is conditional upon, and subject to, each other Acquisition Resolution being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 8 and/or 9 and/or 10, you should also vote in favour of each other Acquisition Resolution.

**The Directors recommend Shareholders vote in favour of these Resolutions.**

### **Resolution 11 – Change of Company name**

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#### **Background**

In accordance with section 157(1)(a) of the Corporations Act, the Company submits to Shareholders for consideration and adoption by way of a special resolution for the name of the Company to be changed to Thredit Australia Limited.

The Company also seeks approval under section 136(2) of the Corporations Act, to the Constitution being updated to reflect the change of name.

#### **Directors' recommendation**

The passing of Resolution 11 is conditional upon, and subject to, each other Acquisition Resolution being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 11, you should also vote in favour of each other Acquisition Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

### **Resolutions 12 – 14 – Issue of Shares under Series A Convertible Loans and Series B Convertible Loans**

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#### **Background**

Resolutions 12, 13 and 14 seek approval by Shareholders for the issue of Shares (on a post-Consolidation basis) to the lenders (or their respective nominees) under the Series A Convertible Loans and the Series B Convertible Loans (together, the **Loan Conversion Shares**), for the purposes of ASX Listing Rule 7.1. Supaval (a related party of the Company) has advanced the sum of \$50,000 to Thredit under a Series A Convertible Loan. Shareholder approval is therefore sought for the issue of Loan Conversion Shares to Supaval (or its nominee) for the purposes of ASX Listing Rule 10.11.

Thredit has entered into secured convertible loan agreements in respect of \$500,000 in secured convertible loans attracting interest at the rate of 8% per annum (and 12% on overdue amounts)



which, subject to receipt of Shareholder approval under Resolution 12, will convert together with accrued interest into Shares in the Company at a price of \$0.025 per Share (on a post-Consolidation basis) at completion of the Thred Acquisition (**Series A Convertible Loans**). Thredit also proposes entering into additional secured convertible loan agreements in respect of \$500,000 in secured convertible loans attracting interest at the rate of 8% per annum (and 12% on overdue amounts) which, subject to receipt of Shareholder approval under Resolution 13, will convert together with accrued interest into Shares in the Company at a price of \$0.04 per Share (on a post-Consolidation basis) at completion of the Thred Acquisition (**Series B Convertible Loans**) (the **Series A Convertible Loans and the Series B Convertible Loans** together, the **Loans**).

Interest is payable in arrears on a monthly basis but may be capitalised at the discretion of the Company. The terms of the Loans provide that, on the re-quotations of the Company's Shares on the ASX, the Loans will automatically convert into Shares in Promesa, subject to Shareholders approving the issue of such Shares.

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

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

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

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

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

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3 and Listing Rule 10.13:

- (a) Loan Conversion Shares will be issued to third party lenders, of whom only 1 is a related party of the Company, being Supaval. Supaval is a related party of the Company for the purposes of section 228(4) of the Corporations Act (being an entity controlled by a parent of Director, Ananda Kathiravelu).
- (b) In respect of the Series A Convertible Loans, the Company will issue such number of fully paid ordinary Shares (on a post-Consolidation basis) as is calculated in accordance with the following formula:

$$\frac{A}{\$0.025}$$

where:

'A' equals the aggregate amount of principal, interest and other monies payable to the lenders in respect of the Series A Convertible Loans.

If this formula results in an entitlement to a number of Shares which includes a fraction of a Share, the fraction will be rounded downward.

**By way of example:** Assuming the outstanding balance of all Series A Convertible Loans is converted at completion of the Acquisition (and assuming completion occurs on 29 September 2015), the maximum number of Shares the lenders would be issued is 20,454,575 Shares.

- (c) In respect of the Series B Convertible Loans, the Company will issue such number of Shares (on a post-Consolidation basis) as is calculated in accordance with the following formula:

$$\frac{A}{\$0.04}$$

where:

‘A’ equals the aggregate amount of principal, interest and other monies payable to the lenders in respect of the Series B Convertible Loans.

If this formula results in an entitlement to a number of Shares which includes a fraction of a Share, the fraction will be rounded downward.

**By way of example:** Assuming the outstanding balance of all Series B Convertible Loans is converted at completion of the Acquisition (and assuming completion occurs on 29 September 2015), the maximum number of Shares the lenders would be issued is 12,675,342 Shares.

- (d) The Loan Conversion Shares (other than the Loan Conversion Shares to be issued to Supaval) will be issued no later than three months after the date of the Meeting or such later date as permitted by ASX. It is intended that all Shares will be issued on the same date.
- (e) The Loan Conversion Shares to be issued to Supaval will be issued no later than 1 month after the date of the Meeting or such later date as permitted by ASX. It is intended that all Shares will be issued on the same date.
- (f) The Shares issued upon conversion of the:
- (i) Series A Convertible Loans will be issued for a deemed issue price of \$0.025 per Share in satisfaction of the outstanding amount under the Series A Convertible Loans at the time of the Company’s reinstatement to trading on ASX; and
  - (ii) Series B Convertible Loans will be issued for a deemed issue price of \$0.04 per Share in satisfaction of the outstanding amount under the Series B Convertible Loans at the time of the Company’s reinstatement to trading on ASX,

accordingly, no funds will be raised from the issue of the Loan Conversion Shares. The funds raised by Thredit under the Series A Loans and the Series B Loans will be applied towards working capital and, following completion of the Acquisition, towards the expenses of the Thred Acquisition and the Capital Raising.

- (g) The Loan Conversion Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company’s existing Shares.
- (h) A voting exclusion statement is included in the Notice of Meeting.

## Chapter 2E of the Corporations Act

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

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

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

The issue of Series A loan conversion Shares to Superval will constitute giving a financial benefit and Supaval is a related party of the Company.

The Directors (other than Mr Kathiravelu who has a material personal interest in Resolution 14) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Loan Conversion Shares because the Shares will be issued to Supaval on the same terms as Shares issued to non-related party lenders under the Series A Convertible Loans and, as such, the giving of the financial benefit is on arm's length terms.

### Directors' recommendation

**The Directors recommend Shareholders vote in favour of Resolution 13. The Directors (other than Mr Kathiravelu, who has a material person interest in the outcome of Resolutions 12 and 14, recommend Shareholders vote in favour of Resolutions 12 and 14).**

The passing of Resolutions 12, 13 and 14 is conditional upon, and subject to, each other Acquisition Resolution being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 12 and/or 13 and/or 14, you should also vote in favour of each other Acquisition Resolution.

## Resolutions 15 and 16 – Issue of Shares to Noteholders

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### Background

The Company has issued an aggregate principal amount of \$975,000 of Convertible Notes to unrelated Noteholders. The Convertible Notes were issued between 27 February 2015 and 13 May 2015 and bear interest at a rate of 1% per month (accruing daily). The Convertible Notes are only convertible into Shares if Shareholders approve the conversion and must be redeemed or converted by no later than 31 December 2015 or such later date as may be agreed between the Noteholders and the Company.

Resolution 15 seeks approval by Shareholders for the issue of Shares (on a post-Consolidation basis) to the Noteholders (or their respective nominees), for the purposes of ASX Listing Rule 7.1 (**Noteholder Placement**).

The Company has also issued \$25,000 of Convertible Notes to a related party, Simon Nominees on the same terms as the Convertible Notes issued to unrelated Noteholders (**Related Party Notes**).

Resolution 16 seeks Shareholder approval for the issue of Shares (on a post-Consolidation basis) upon conversion of the Related Party Notes to Simon Nominees (**Related Party Noteholder Placement**).

The funds raised from the Noteholder Placement and the issue of the Related Party Notes have been applied towards working capital.

Subject to Shareholder approval, the Convertible Notes and Related Party Notes (together with any accrued but unpaid interest) are convertible into Shares in whole or in part on or before 31 December 2015 (**Redemption Date**), to the extent they have not been redeemed by the Company. To the extent the Convertible Notes and Related Party Notes have not been (or are unable to be) converted into Shares, the Company must repay the outstanding amount under those notes (including all accrued interest) on the Redemption Date.

### **ASX Listing Rule 7.1**

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3:

- (a) The Company will issue such number of fully paid, ordinary Shares (on a post-Consolidation basis) as is calculated in accordance with the following formula:

$$\frac{A}{\$0.005}$$

where:

'A' equals the aggregate amount of principal, interest and other monies payable to the unrelated Noteholders in respect of the Convertible Notes.

If this formula results in an entitlement to a number of Shares which includes a fraction of a Share, the fraction will be rounded down.

**By way of example:** Assuming the outstanding balance of all Convertible Notes is converted at completion of the Acquisition (and assuming completion occurs on 29 September 2015), the maximum number of Shares the noteholders would be issued is 211,554,686 Shares.

- (a) The Shares under the Noteholder Placement will be issued to the unrelated Noteholders.
- (b) The Shares will be issued no later than three months after the date of the Meeting or such later date as permitted by ASX. It is intended that the Shares will be issued progressively.
- (c) The Shares will be issued for a deemed issue price of \$0.005 per Share in satisfaction of the outstanding amount under the Convertible Notes at the time of conversion. Accordingly, no funds will be raised from the issue of the Shares.
- (d) The Shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- (e) A voting exclusion statement is included in the Notice of Meeting.

## Chapter 2E of the Corporations Act

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

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

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

The Related Party Noteholder Placement will result in the issue of Shares which constitutes giving a financial benefit and Simon Nominees is a related party of the Company by virtue of being an entity controlled by a Director (Mr Majteles).

The Directors (other than Mr Majteles who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Related Party Noteholder Placement because the Shares will be issued to Simon Nominees on the same terms as Shares issued to non-related party participants in the Noteholder Placement and, as such, the giving of the financial benefit is on arm's length terms.

### ASX Listing Rule 10.11

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

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

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Related Party Noteholder Placement:

- (a) The Shares under the Related Party Noteholder Placement will be allotted and issued to Simon Nominees (or its nominee).
- (b) The number of Shares to be issued is such number of Shares (on a post-Consolidation basis) as is calculated in accordance with the following formula.

$$\frac{A}{\$0.005}$$

where: 'A' equals the aggregate amount of principal, interest and other monies payable to Simon Nominees in respect of the Related Party Notes. If this formula results in an entitlement to a number of Shares which includes a fraction of a Share, the fraction will be rounded down.

**By way of example:** Simon Nominees has subscribed for \$25,000 in Related Party Notes. Assuming Simon Nominees elects to convert the outstanding balance of its Related Party Notes at completion of the Acquisition (and assuming completion occurs on 29 September

2015), the maximum number of Shares Simon Nominees would be issued is 5,280,646 Shares.

- (c) The Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur progressively.
- (d) The Shares will be issued for a deemed issue price of \$0.005 per Share in satisfaction of the outstanding amount under the Related Party Notes at the time of conversion. Accordingly, no funds will be raised from the issue of the Shares.
- (e) The Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (f) The funds raised will be used for the same purposes as all other funds raised under the Noteholder Placement as set out above.

### **Directors' recommendation**

The passing of Resolution 16 is conditional upon, and subject to, Resolution 15 being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 16, you should also vote in favour of Resolution 15.

**The Directors (other than Hersh Solomon Majteles, who has a material personal interest in the outcome of Resolutions 15 and 16) recommend Shareholders vote in favour of those Resolutions.**

## **Resolution 17 – Ratification of prior issue of Shares**

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### **Background**

On 24 April 2015, the Company issued a total of 96,103,117 Shares to sophisticated investors (as described in section 708 of the Corporations Act). 57,661,870 of those Shares were issued pursuant to the Company's placement capacity under ASX Listing Rule 7.1, and the remaining 38,441,247 were issued pursuant to the Company's additional placement capacity under ASX Listing Rule 7.1A.

Resolution 17 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares.

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

ASX Listing Rule 7.1A broadly provides that, subject to receipt of the approval of holders of ordinary securities by special resolution at a company's annual general meeting and to satisfaction of certain other conditions, the company may issue further equity securities up to an amount which represents 10% of the number of fully paid ordinary securities on issue 12 months before the date of issue.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1 and 7.1A. ASX Listing Rule 7.4 provides that where a company in general meeting ratifies a previous issue of securities made pursuant to ASX Listing Rule 7.1 or 7.1A, and provided that the previous issue did not breach ASX Listing Rule 7.1, that issue will be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1 or 7.1A, as applicable.

By ratifying the prior issues of Shares made on 24 April 2015, the Company will:

- (a) retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval; and
- (b) in the event that the Acquisition Resolutions are not passed, retain the additional 10% capacity under ASX Listing Rule 7.1A. In accordance with ASX Listing Rule 7.1A.1(b), the Company's capacity under ASX Listing Rule 7.1A will cease to be available on the date that the Acquisition Resolutions are passed

#### **Technical information required by ASX Listing Rule 7.5**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 17:

- (a) 57,661,870 Shares were issued (pre-Consolidation) at \$0.003 per Share pursuant to the Company's placement capacity under ASX Listing Rule 7.1.
- (b) 38,441,247 Shares were issued (pre-Consolidation) at \$0.006 per Share pursuant to the Company's placement capacity under ASX Listing Rule 7.1A.
- (c) The Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (d) The Shares were issued to a number of sophisticated investors (as described in section 708 of the Corporations Act), none of whom is a related party of the Company.
- (e) The funds raised were used to fund transaction costs in relation to the Thred Acquisition and the Capital Raising and to provide additional working capital.
- (f) A voting exclusion statement is included in the Notice.

#### **Directors' recommendation**

**The Directors recommend Shareholders vote in favour of this Resolution.**

## Glossary

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In this document the following definitions apply:

<b>\$</b>	means Australian dollars.
<b>Armada Capital</b>	means Armada Capital Pty Ltd ACN 112 297 953 (an entity controlled by Director, Ananda Kathiravelu).
<b>Armada Capital Options</b>	means the Options proposed to be issued to Armada Capital as contemplated by Resolution 5 and valued as set out in Annexure D.
<b>Acquisition Resolution</b>	means each of Resolutions 1 to 14 (inclusive).
<b>API</b>	means 'application programming interface', a set of routines, protocols, and tools for building software applications.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>ASX</b>	means ASX Limited ACN 008 624 691 or, as the context requires, the Australian Securities Exchange operated by ASX Limited.
<b>ASX Listing Rules</b>	means the Listing Rules of ASX.
<b>Board</b>	means the current board of directors of the Company.
<b>Business Day</b>	means a day other than a Saturday, Sunday or public holiday in Western Australia.
<b>Capital Raising</b>	means the capital raising the subject of Resolution 7.
<b>Closely Related Party</b>	of a member of the Key Management Personnel means: <ul style="list-style-type: none"><li>(a) a spouse or child of the member;</li><li>(b) a child of the member's spouse;</li><li>(c) a dependent of the member or the member's spouse;</li><li>(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;</li><li>(e) a company the member controls; or</li><li>(f) a person prescribed by the Corporations Regulations 2001 (Cth).</li></ul>
<b>Company or Promesa</b>	means Promesa Ltd ACN 124 541 466.
<b>Consideration Securities</b>	means the Consideration Shares and 140,000,000 Performance Shares.
<b>Consideration Shares</b>	means 250,000,000 Shares (on a post-Consolidation basis).
<b>Consolidation</b>	means the consolidation of every 5 Shares into 1 Share and every 5 Options into 1 Option as contemplated by Resolution 2.



<b>Constitution</b>	means the Company's constitution.
<b>Convertible Notes</b>	means notes issued by the Company in an aggregate principal amount of \$1 million as detailed in Annexure E, which notes are convertible into Shares in the circumstances described in Part 2 of the Explanatory Statement under the heading 'Resolutions 15 and 16' on page 42.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Directors</b>	means the current directors of the Company.
<b>Explanatory Statement</b>	means the explanatory statement accompanying this Notice.
<b>General Meeting or Meeting</b>	means the meeting convened by this Notice.
<b>HKD</b>	means Hong Kong dollars.
<b>Independent Expert</b>	means BDO Corporate Finance (WA) Pty Ltd ACN 124 031 045.
<b>Independent Expert's Report</b>	means a report prepared by the Independent Expert, a copy of which is set out in Annexure F.
<b>Key Idea</b>	means Key Idea Holdings Ltd (a company incorporated in the British Virgin Islands and controlled by Proposed Director, David Whitaker).
<b>Key Management Personnel</b>	has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the Company's activities, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.
<b>Noteholders</b>	means the holders of Convertible Notes.
<b>Notice or Notice of Meeting</b>	means this notice of general meeting including the Explanatory Statement and the Proxy Form.
<b>Option</b>	means an option to subscribe for a Share.
<b>Performance Shares</b>	means shares issued on the terms and conditions set out in Annexure B.
<b>Proposed Directors</b>	means Mr David Whitaker, Mr Christopher Jones and Mr Christopher Adams.
<b>Prospectus</b>	means the prospectus to be issued by the Company in relation to the Capital Raising.
<b>Proxy Form</b>	means the proxy form accompanying this Notice.
<b>Related Party Securities</b>	means those Shares, Options and Performance Shares proposed to be issued to Armada Capital pursuant to Resolution 5.

<b>Resolutions</b>	means the resolutions to be considered by Shareholders at the General Meeting, as set out in this Notice of Meeting.
<b>Sale Agreement</b>	means the binding heads of agreement between the Company, Key Idea and Thredit relating to the purchase by the Company of the entire issued share capital of Thredit.
<b>Securities</b>	means Shares and/or Options and/or Performance Shares and/or Convertible Notes, as the context requires.
<b>Series A Convertible Loans</b>	the secured convertible loan agreements entered into by Thredit with various lenders in respect of the loans convertible into Shares at a deemed issue price of \$0.025 per Share, as discussed further under 'Resolutions 12 - 14' in Part 2 of the Explanatory Statement.
<b>Series B Convertible Loans</b>	the secured convertible loan agreements to be entered into by Thredit with various lenders in respect of the loans convertible into Shares at a deemed issue price of \$0.04 per Share, as discussed further under 'Resolutions 12 - 14' in Part 2 of the Explanatory Statement.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means a registered holder of one or more Shares.
<b>Simon Nominees</b>	means Simon Nominees Pty Ltd ACN 008 813 483 (an entity controlled by Director, Hersh Solomon Majteles).
<b>Supaval</b>	means Supaval Pty Ltd ACN 154 194 091 as trustee for the Supaval Superannuation Fund.
<b>Thred App or Thred</b>	means a messaging platform and mobile app.
<b>Thredit</b>	means Thredit Limited (a company incorporated in Hong Kong with registered number 2215042).
<b>Thred Acquisition</b>	means the acquisition by the Company of all the issued capital of Thredit.
<b>Thredit Vendors</b>	means the vendors of shares in Thredit to the Company pursuant to the Sale Agreement.
<b>WST</b>	means Australian Western Standard Time.

## Annexure A Pro-forma Statement of Financial Position

	Promesa Reviewed for the half year ended	Thredit Audited for the period ended	Subsequent events	Pro forma adjustments		Pro forma after Offer	
	31-Dec-14	31-Mar-15		\$5 million	\$10 million	\$5 million	\$10 million
	\$	\$		\$	\$	\$	\$
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	1,883	-	2,365,192	4,441,937	9,136,937	6,809,012	11,504,012
Trade and other receivables	19,119	-	-	-	-	19,119	19,119
Other current assets	18,466	-	-	-	-	18,466	18,466
<b>TOTAL CURRENT ASSETS</b>	<b>39,468</b>	<b>-</b>	<b>2,365,192</b>	<b>4,441,937</b>	<b>9,136,937</b>	<b>6,846,597</b>	<b>11,541,597</b>
<b>NON CURRENT ASSETS</b>							
Exploration expenditure	5,805,839	-	-	(5,805,839)	(5,805,839)	-	-
Financial assets	276,343	-	-	-	-	276,343	276,343
Plant and equipment	190,483	-	-	-	-	190,483	190,483
Intangible asset	-	-	-	-	-	-	-
Other assets	15,840	-	125,000	(125,000)	(125,000)	15,840	15,840
<b>TOTAL NON CURRENT ASSETS</b>	<b>6,288,505</b>	<b>-</b>	<b>125,000</b>	<b>(5,930,839)</b>	<b>(5,930,839)</b>	<b>482,666</b>	<b>482,666</b>
<b>TOTAL ASSETS</b>	<b>6,327,973</b>	<b>-</b>	<b>2,490,192</b>	<b>(1,488,902)</b>	<b>3,206,098</b>	<b>7,329,263</b>	<b>12,024,263</b>
<b>CURRENT LIABILITIES</b>							
Trade and other payables	1,064,808	8,480	-	-	-	1,073,288	1,073,288
Provisions	68,501	-	-	-	-	68,501	68,501
Borrowings	-	-	2,125,000	(2,125,000)	(2,125,000)	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,133,309</b>	<b>8,480</b>	<b>2,125,000</b>	<b>(2,125,000)</b>	<b>(2,125,000)</b>	<b>1,141,789</b>	<b>1,141,789</b>
<b>TOTAL LIABILITIES</b>	<b>1,133,309</b>	<b>8,480</b>	<b>2,125,000</b>	<b>(2,125,000)</b>	<b>(2,125,000)</b>	<b>1,141,789</b>	<b>1,141,789</b>
<b>NET ASSETS</b>	<b>5,194,664</b>	<b>(8,480)</b>	<b>365,192</b>	<b>636,098</b>	<b>5,331,098</b>	<b>6,187,474</b>	<b>10,882,474</b>
<b>EQUITY</b>							
Issued capital	13,085,781	-	365,192	(4,389,496)	305,504	9,061,477	13,756,477
Foreign currency translation reserve	(300,528)	-	-	300,528	300,528	-	-
Option reserves	578,036	-	-	1,329,723	1,329,723	1,907,759	1,907,759
Accumulated losses	(8,168,625)	(8,480)	-	3,395,343	3,395,343	(4,781,762)	(4,781,762)
<b>TOTAL EQUITY</b>	<b>5,194,664</b>	<b>(8,480)</b>	<b>365,192</b>	<b>636,098</b>	<b>5,331,098</b>	<b>6,187,474</b>	<b>10,882,474</b>

## Subsequent events and pro forma adjustments

The Pro Forma Statement of Financial Position incorporates the following transactions and events:

1. During March 2015, the Company raised \$1 million via the issue of Convertible Notes. These notes may convert to Shares at an issue price of \$0.005 each, subject to Shareholder approval.
2. During April 2015, the Company raised \$365,192 (after costs) via a placement to sophisticated investors.
3. During April 2015, the Company paid an Option Facilitation Fee of \$125,000 to Thredit under the terms of the Thred Acquisition.
4. Thredit raised a total of \$500,000 via the issue of the Series A Convertible Loans and intends to raise a further \$500,000 through the issue of the Series B Convertible Loans.
5. The issue of 100 million Shares at an issue price of \$0.05 each to raise \$5 million based on the minimum subscription or the issue of 200 million Shares at an issue price of \$0.05 each to raise \$10 million based on the maximum subscription before costs, pursuant to the Prospectus.
6. Costs of the Capital Raising are estimated to be \$558,063 based on the minimum subscription or \$863,063 based on the maximum subscription, which are to be offset against contributed equity.
7. The issue of the 250 million Consideration Shares and 140 million Performance Shares in consideration for the acquisition of a 100% interest in Thredit.
8. The Company has indicated that it intends to dispose of its mineral tenements and exploration assets following completion of the Thred Acquisition. The Directors intend to continue to explore mechanisms by which this disposal might be effected, whether by way of asset or share sale, demerger or otherwise. As the Company has indicated that following the Thred Acquisition it will no longer be pursuing exploration activities on its tenements and intends to dispose of all its mineral tenements and exploration assets, we have impaired the carrying value of these exploration assets to nil.
9. The issue of the following securities to Armada as consideration for assisting with the Acquisition;
  - 100 million Armada Options exercisable at \$0.0625 each and expiry date of 30 May 2017. These have been valued using the Black Scholes model;
  - 12.5 million Armada Shares which have a deemed issue price of \$0.05 each; and
  - 7 million Armada Performance Shares.
10. The issue of 6.25 million Shares to Mr Dean Bannister which have a deemed issue price of \$0.05 per Share in satisfaction of a success fee upon completion of the Thred Acquisition.
11. The issue of 20 million Shares upon conversion of the Series A Convertible Loans at a conversion price of \$0.025 per Share.
12. The issue of 12.5 million Shares upon conversion of the Series B Convertible Loans at a conversion price of \$0.04 per Share.
13. The issue of 200 million Shares upon conversion of the Convertible Notes.

## **Annexure B Terms of Performance Shares**

### **Part 1: Terms**

**(a) Performance Shares**

Each Performance Share is a share in the capital of the Company.

**(b) General meetings**

The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. Holders have the right to attend general meetings of the Company.

**(c) No voting rights**

The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of the Company, subject to any voting rights under the Corporations Act or the ASX Listing Rules where such rights cannot be excluded by these terms.

**(d) No dividend rights**

The Performance Shares do not entitle the Holder to any dividends.

**(e) No rights on winding up**

Upon winding up of the Company, the Performance Shares may not participate in the surplus profits or assets of the Company.

**(f) Transfer of Performance Shares**

A Performance Share is not transferable.

**(g) Reorganisation of capital**

If the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.

**(h) Application to ASX**

The Performance Shares will not be quoted on ASX. Upon conversion of the Performance Shares into Shares in accordance with these terms, the Company must within seven (7) days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of the Shares arising from the conversion.

**(i) Participation in entitlements and bonus issues**

Subject always to the rights under item (g), holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

**(j) Amendments required by ASX**

The terms of the Performance Shares may be amended as necessary by the Board in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminate.

**(k) No other rights**

The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

**Part 2: Conversion of the Performance Shares**

**(a) Milestones**

The Performance Shares will convert upon satisfaction of the following milestones:

- (i) 31.5 million Performance Shares shall convert upon the launch of the Thred App (with defined functionality including message centre, Thred creation, link and image sharing, social profile collaboration and micro-Threds) within a period of 90 days from the date of completion of the Capital Raising (**Milestone 1**);
- (ii) 42 million Performance Shares shall convert upon 250,000 downloads of the Thred App being completed within a period of 90 days from satisfaction of Milestone 1;
- (iii) 42 million Performance Shares shall convert upon the Company updating the Thred App to incorporate an artificial intelligence (**AI**) engine within a period 180 days from completion of the Capital Raising (with the AI engine having minimum functionality consistent with the following):
  - (A) the AI engine learns the preferences of users and their message partners;
  - (B) the AI engine then predictively suggests matches when users are creating new Threds;
  - (C) suggested matches will include potential recipients who, through their own choices, have been profiled as having similar interests as the Thred creator; and
  - (D) the AI engine will suggest recipients only from the users' own connected social groups; and
- (iv) 31.5 million Performance Shares shall convert upon 1 million downloads of the Thred App being completed within a period of 360 days from the date of completion of the Capital Raising,

(each referred to as a **Milestone**).

**(b) Conversion of Performance Shares**

In the event a Milestone is satisfied, the Performance Shares held by the Holder will convert into an equal number of Shares.

**(c) No conversion if Milestone not achieved**

Any Performance Share not converted into a Share within the earlier of:

- (i) the period referred to in respect of the relevant Milestone; or
- (ii) 2 years from the issue of the Performance Share,

will lapse.

**(d) After conversion**

The Shares issued on conversion of the Performance Shares will, as and from 5:00pm (WST) on the date of issue, rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares issued upon conversion.

**(e) Conversion procedure**

The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Performance Shares into Shares.

**(f) Ranking of Shares**

The Shares into which the Performance Shares will convert will rank pari passu in all respects with the Shares on issue at the date of conversion.

## Annexure C Terms of Armada Capital Options

The terms of the Options to be issued to Armada Capital (or its nominee) as contemplated in Resolution 5 are as follows:

**(a) Entitlement**

Subject to paragraph (m), each Option entitles the holder to subscribe for one Share upon exercise of the Option.

**(b) Exercise Price and Expiry Date**

Subject to paragraphs (j) and (l), the amount payable upon exercise of each Option will be \$0.0625 (**Exercise Price**).

**(c) Expiry Date**

Each Option will expire at 5:00pm (WST) on 30 May 2017 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

**(d) Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

**(e) Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

**(f) Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

**(g) Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with



ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

**(h) Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

**(i) Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

**(j) Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

**(k) Participation in new issues**

There are no participation 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 without exercising the Options.

**(l) Adjustment for rights issue**

In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

**(m) Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

**(n) Unquoted**

The Company will not apply for quotation of the Options on ASX.

**(o) Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

## Annexure D Valuation of Related Party Securities

### Options

Using the Black & Scholes option model and based on the assumptions set out below, the Armada Capital Options were ascribed the following value:

<b>Assumptions:</b>	
Valuation date	23 September 2015
Market price of Shares	\$0.05 (assumed post-Consolidation based on the issue price of Shares under the Capital Raising)
Exercise price	\$0.0625
Expiry date (length of time from issue)	1.7 years (30 May 2017)
Risk free interest rate	1.85%
Volatility (discount)	88.33%
<b>Indicative value per Armada Capital Option</b>	<b>\$0.01908</b>
<b>Total value of Armada Capital Options</b>	<b>\$1,907,759</b>

**Note:** The valuation noted above is not necessarily the market price that the Armada Capital Options could be traded at and is not automatically the market price for taxation purposes.

### Performance Shares

The Performances Shares proposed to be issued to Armada Capital pursuant to Resolution 5 are subject to the following milestones:

- (a) 31.5 million Performance Shares shall convert into Shares upon the launch of the Thred App (with defined functionality including message centre, Thred creation, link and image sharing, social profile collaboration and micro-Threds) within a period of 90 days from the date of completion of the Capital Raising (**Milestone 1**);
- (b) 42 million Performance Shares shall convert into Shares upon 250,000 downloads of the Thred App being completed within a period of 90 days from satisfaction of Milestone 1;
- (c) 42 million Performance Shares shall convert into Shares upon the Company updating the Thred App to incorporate an artificial intelligence (AI) engine within a period 180 days from completion of the Capital Raising (with the AI engine having minimum functionality consistent with the following):
  - (A) the AI engine learns the preferences of users and their message partners;
  - (B) the AI engine then predictively suggests matches when users are creating new Threds;

- (C) suggested matches will include potential recipients who, through their own choices, have been profiled as having similar interests as the Thred creator; and
  - (D) the AI engine will suggest recipients only from the users' own connected social groups; and
- (d) 31.5 million Performance Shares shall convert into Shares upon 1 million downloads of the Thred App being completed within a period of 360 days from the date of completion of the Capital Raising,

(each referred to as a **Milestone**).

The Directors have been unable to ascribe a value to the Performance Shares due to material uncertainty as to whether the Milestones will be achieved.

At page 39 of the Independent Expert's Report, the Independent Expert states that there is limited available information and certainty around the Company's future performance and Thredit's ability to achieve the Milestones. The Independent Expert was therefore unable to ascribe a value to the Performance Shares. Shareholders are strongly urged to consider the Independent Expert's Report (included in Annexure F of this Notice) in detail.

Notwithstanding the above, for the benefit of Shareholders in determining whether to approve the proposed issue of Performance Shares to Armada Capital, the following table demonstrates the **potential** value of the Performance Shares assuming 4 different probabilities of the Milestones being met (0%, 33.33%, 66.67% and 100% respectively):

Probability	No. of Performance Shares to convert	Spot price	Total value of Performance Shares
0%	-	\$0.05	Nil
33.33%	2,333,100	\$0.05	\$116,655
66.67%	4,666,900	\$0.05	\$233,345
100%	7,000,000	\$0.05	\$350,000

## Annexure E Noteholders

Noteholder	Issue of Convertible Notes	
	Convertible Notes held*	Amount paid
Cameron Paul Shepherd	3,000	\$3,000
Carrissa Pty Ltd	30,000	\$30,000
Gregory Phillip Gaunt	10,000	\$10,000
Joseph Evangelista	5,000	\$5,000
LSAF - Holdings Pty Ltd	100,000	\$100,000
Monti Minerals Pty Ltd	50,000	\$50,000
Mr Graham Brian Eintracht & Mrs Beverley Faye Eintracht	6,000	\$6,000
Profit & Resources Management Pty Ltd	20,000	\$20,000
Lenelia Pty Ltd	20,000	\$20,000
Jon Lea Julia Gleeson	15,000	\$15,000
Traditional Securities Group Pty Ltd	20,000	\$20,000
Celtic Capital Pty Ltd	110,000	\$110,000
Mr Andrew Peterfreund	20,000	\$20,000
RJ Wade Pty Ltd	10,000	\$10,000
Agens Pty Ltd	40,000	\$40,000
JDK Nominees Pty Ltd	100,000	\$100,000
Mr Bin Liu	20,000	\$20,000
Cave Glen Pty Ltd	50,000	\$50,000
Mr John Charles Vassallo & Mr Sean James Vassallo	10,000	\$10,000
Simon Nominees Pty Ltd	25,000	\$25,000
Slade Technologies Pty Ltd	20,000	\$20,000
Chifley Portfolios Pty Ltd	75,000	\$75,000
LTL Capital Pty Ltd	50,000	\$50,000
Mr Rohan Charles Edmondson & Mrs Fionnuala Catherine Edmondson	5,000	\$5,000
Queensland Mm Pty Ltd	50,000	\$50,000
Sophie Louise Moore	25,000	\$25,000
Dean Anthony De Largie	33,250	\$33,250
Desmond De Largie	1,750	\$1,750
Mr John Charles Vassallo & Mr Sean James Vassallo	30,000	\$30,000
Marshall Brian Nathanson	35,000	\$35,000
Durka Durka Trust	11,000	\$11,000
<b>TOTAL</b>	<b>1,000,000</b>	<b>\$1,000,000</b>

**Note:** \*Figures are stated on a pre-Consolidation basis.

## **Annexure F    Independent Expert's Report**

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**PROMESA LIMITED**  
**Independent Expert's Report**

28 July 2015



## Financial Services Guide

28 July 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Promesa Limited ('Promesa') to provide an independent expert's report on the proposal to acquire the entire issued capital of Thredit Ltd ('Thredit'). You will be provided with a copy of our report as a retail client because you are a shareholder of Promesa.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

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

### Information about us

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

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

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

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.



## **Fees, commissions and other benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$28,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee of \$28,000 for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

## **Referrals**

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

## **Complaints resolution**

### *Internal complaints resolution process*

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

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

## **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **Contact details**

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by Agricola

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28 July 2015

The Directors  
Promesa Limited  
Suite 8, 55 Hampton Road  
Nedlands, WA, 6009

Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 13 April 2015, Promesa Limited ('Promesa' or 'the Company') announced it had entered into a Heads of Agreement ('HOA') with Key Holdings Ltd ('Key') which grants the Company an option to purchase 100% of the issued capital of Thredit Ltd ('Thredit'). Through this acquisition, Promesa will indirectly acquire Thredit's subsidiaries including Thred Innovations Ltd ('TIL'). The Company announced the exercise of this option on 7 May 2015, subject to relevant approvals and the sale or disposal of the Company's mineral assets.

### 2. Summary and Opinion

#### 2.1. Purpose of the report

The directors of Promesa have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the proposal to issue 250 million ordinary shares and 140 million performance shares as consideration for the acquisition of the entire issued capital of Thredit ('the Transaction') is fair and reasonable to the non-associated shareholders of Promesa ('Shareholders').

Our Report is prepared pursuant to section 611 of the *Corporations Act 2001* ('Act') and is to be included in the Notice of Meeting for Promesa in order to assist the Shareholders in their decision whether to approve the Transaction.

#### 2.2. Approach

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

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

- How the value of a Promesa share prior to the Transaction on a control basis compares to the value of a Promesa share following the Transaction on a minority basis;
- The likelihood of a superior alternative offer being available to Promesa;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

### 2.3. Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to Shareholders.

### 2.4. Fairness

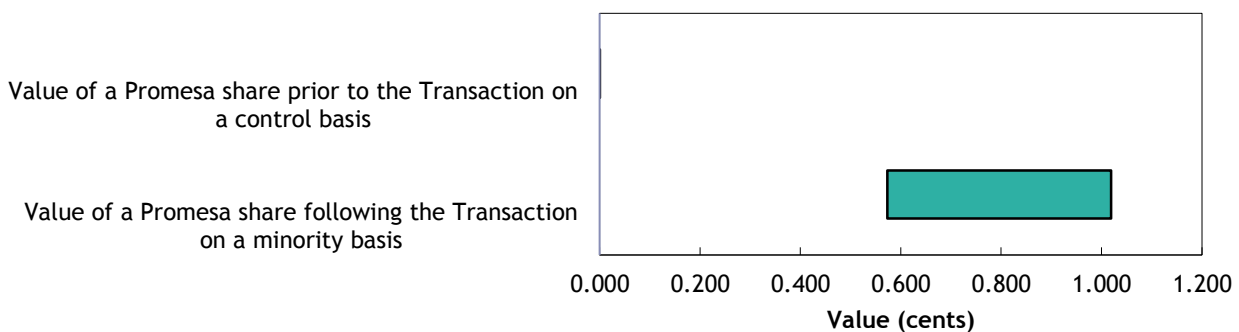
In section 12 we determined that the value of a share in Promesa prior to the Transaction on a control basis compares to the value of a Promesa share following the Transaction on a minority basis, as detailed below.

	Ref	Low cents	Preferred cents	High cents
Value of a Promesa share prior to the Transaction on a control basis	10.3	Nil	Nil	Nil
Value of a Promesa share following the Transaction on a minority basis	11.2	0.573	0.586	1.019

Source: BDO analysis

The above valuation ranges are graphically presented below:

Valuation Summary



The above pricing indicates that, in the absence of any other relevant information the Transaction is fair for Shareholders.

### 2.5. Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

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

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4	The Transaction is fair	13.5	Dilution of existing Shareholders' interests
13.4	Shareholders of Promesa will own shares in a company with a greater potential to generate a return for Shareholders	13.5	Exposure to the development stage risks associated with Thredit
13.4	Liquidity of Promesa's shares may increase	13.5	Change in the nature and scale of Promesa's activities may not align with Shareholders' investment objectives
13.4	Changing the nature and scale of Promesa could attract new investors		
13.4	The Transaction provides the Company with a cash injection		
13.4	Experienced management team and Board of Directors		
13.4	Performance Rights provide an incentive to increase Promesa's value		
13.4	Alignment of Key's interests to Shareholders' interests		

Other key matters we have considered include:

Section	Description
13.1	Alternative proposals
13.2	Practical level of control
13.3	Consequences of not approving the Transaction

### 3. Scope of the Report

#### 3.1. Purpose of the Report

Section 606 of the Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders. If the Transaction is approved, Key will obtain a relevant interest in the Company of up to 50.27% (assuming the \$1 million of Promesa convertible notes are not converted and the 140 million Performance Rights issued to Key do not vest).

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Promesa, by either:

- undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of Promesa have commissioned this Independent Expert's Report to satisfy this obligation.

#### 3.2. Regulatory guidance

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

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

#### 3.3. Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

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

- A comparison between the value of a Promesa share prior to the Transaction on a control basis and the value of a Promesa share following the Transaction on a minority basis (fairness - see Section 12 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 'Is the Transaction Reasonable?').

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

A Valuation Engagement is defined by APES 225 as follows:

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

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

## 4. Outline of the Transaction

On 13 April 2015, the Company announced it had entered into a HOA with Key which detailed an option to acquire the entire issued capital of Thredit. As consideration for the acquisition Promesa will issue to Key the following securities:

- 250 million ordinary shares (on a post-consolidation basis) in Promesa ('**Consideration Shares**'); and
- 140 million performance shares (on a post-consolidation basis) which vest on achievement of the following milestones:
  - 31.5 million performance shares which convert to ordinary shares on the launch of the Thred mobile phone app (with functionality including message centre, Thred creation, link and image sharing, social profile collaboration and micro-threds), within a period of 90 days from the date of completion of the Capital Raising ('**Milestone 1**');
  - 42 million performance shares which convert to ordinary shares upon 250,000 downloads of the Thred mobile phone app being completed within a period of 90 days from the completion of Milestone 1 ('**Milestone 2**');
  - 42 million performance shares which convert to ordinary shares upon the Company updating the Thred mobile phone app to incorporate an artificial intelligence ('**AI**') engine within a period of 180 days from the completion of the Capital Raising with the AI engine having minimum functionality consistent with the following:
    - the AI engine learns the preferences of the users and their message partners;
    - the AI engine then predictively suggests matches when the users are creating new threds;
    - suggested matches will include potential recipients who, through their own choices, have been profiled as having similar interests as the thred creator; and

- the AI engine will suggest recipients only from the users own connected social groups (**'Milestone 3'**).
- 31.5 million performance shares which convert to ordinary shares upon one million downloads of the Thred mobile phone app being completed within a period of 360 days from the completion of the Capital Raising (**'Milestone 4'**).

Note: the milestone figures above include the additional 7 million performance rights issued to Armada Capital Limited (**'Armada'**) as part of the Transaction (see Armada Performance Shares below).

The above performance shares have been collectively referred to as the **'Performance Shares'**. The Performance Shares will lapse on the period referred to in respect of the relevant Milestone or two years from the issue of the Performance Shares.

In conjunction with the Transaction, Promesa will seek shareholder approval to consolidate the capital of Promesa on a 1 for 5 basis.

As consideration for assisting with the Transaction, the Company will issue to Armada:

- 100 million unlisted options (on a post-consolidation basis) exercisable at \$0.0625 each and expiry date of 30 May 2017 (**'Armada Options'**); and
- up to 12.5 million ordinary shares (**'Armada Shares'**) and up to 7 million performance shares (**'Armada Performance Shares'**)(both on a post-consolidation basis) in satisfaction of a success fee equal to 5% (by number) of the Consideration Shares. The Armada Performance Shares will vest on the same terms as the 140 million Performance Shares issued to Key.

Additionally, the Company will issue to Mr Dean Bannister (**'Bannister'**), up to 6.25 million ordinary shares (on a post-consolidation basis) in satisfaction of a success fee equal to 2.5% (by number) of the Consideration Shares (**'Bannister Shares'**).

Promesa will also settle the following two classes of convertible note facilities of Thredit by issuing ordinary shares:

- Thredit's \$500,000 secured convertible loan with an interest rate of 8% per annum (12% on overdue amounts) which, subject to shareholder approval, will convert together with accrued interest into Promesa shares at a conversion price of \$0.025 per share (on a post-consolidation basis) (**'Series A Convertible Notes'**); and
- Thredit's \$500,000 secured convertible loan with an interest rate of 8% per annum (12% on overdue amounts) which, subject to shareholder approval, will convert together with accrued interest into Promesa shares at a conversion price of \$0.04 per share (on a post-consolidation basis) (**'Series B Convertible Notes'**).

Promesa also has \$1 million of convertible notes on issue which convert with an accrued interest rate of 1% per month to Promesa shares, subject to shareholder approval, at a conversion price of \$0.005 per share (on a post-consolidation basis) (**'Promesa Convertible Loans'**). We note that \$25,000 of these Promesa Convertible Loans have been issued to a related party, Simon Nominees Pty Ltd (**'Simon'**). Resolution 16 relates to the issue of shares to Simon as per the conversion of the Promesa Convertible Loans.

Promesa has also paid a \$125,000 option facilitation fee to Key.



Set out below are the conditions precedent to the Transaction, which must be completed by 30 September 2015:

- Promesa obtaining all necessary shareholder approval and regulatory approvals required for the acquisition, including Australian Securities Exchange ('ASX') approval for the readmission of the Company to the official list of ASX in connection with its proposed change in the nature and scale of its activities;
- Promesa to complete a capital raising between \$5 million and \$10 million ('Capital Raising') at an issue price of \$0.05 per share; and
- All tenements currently held or applied for by Promesa will be sold or disposed following the completion of the Transaction.

### Proposed Capital Structure

We have presented the proposed capital structure of Promesa following the Transaction on an undiluted and fully diluted basis assuming that the Capital Raising is either subscribed to the minimum condition or fully subscribed.

#### Minimum Subscription to Capital Raising

The proposed capital structure of Promesa following the completion of the Transaction on an undiluted basis and assuming the Capital Raising only reaches the minimum subscription condition is set out below.

We note that as at the date of our Report, Key does not have a relevant interest in Promesa but following issue of the Consideration Shares will increase its relevant interest in Promesa to 50.27%. In these circumstances, the Shareholders will be diluted from 100% to 19.32%.

Capital structure of Promesa on an undiluted basis	Existing S'holders	Key	Cap. Raising S'holders	Con Note S'holders	Other S'holders	Total
Note:				1	2	
Issued Shares at date of this Report	480,515,581	-	-	-	-	480,515,581
Consolidation of capital ratio (5:1)	5	-	-	-	-	-
Issued Shares after consolidation	96,103,117	-	-	-	-	96,103,117
% holdings at the date of this Report	100.00%	0.00%	0.00%	0.00%	0.00%	100%
Issue of Consideration Shares	-	250,000,000	-	-	-	250,000,000
Shares issued under Capital Raising	-	-	100,000,000	-	-	100,000,000
Shares issued for Convertible Notes	-	-	-	32,500,000	-	32,500,000
Issue of shares to Other S'holders	-	-	-	-	18,750,000	18,750,000
<b>Issued Shares following Transaction</b>	<b>96,103,117</b>	<b>250,000,000</b>	<b>100,000,000</b>	<b>32,500,000</b>	<b>18,750,000</b>	<b>497,353,117</b>
% holdings following the Transaction	19.32%	50.27%	20.11%	6.53%	3.77%	100%

Source: BDO Analysis

In our analysis of the proposed capital structure, we have grouped the convertible note holders and the other shareholders. Further details of these shareholder groups are detailed below under notes 1 and 2.



### Note 1 - Convertible Note Shareholders

As part of the Transaction, Promesa will satisfy various classes of Thredit convertible notes by issuing shares in Promesa. In particular, the following shares will be issued to the convertible note holders of the Series A Convertible Notes and Series B Convertible Notes.

Shares issued for Convertible Notes Class	Principal (\$)	Conversion Price	Shares issued
Series A Convertible Notes	500,000	0.025	20,000,000
Series B Convertible Notes	500,000	0.04	12,500,000
			<b>32,500,000</b>

Source: BDO Analysis

We note that the convertible notes will convert into shares inclusive of accrued interest, however given the varying dates on which the convertible note agreements were entered into for each of the respective holders of the different classes, we have determined to assess the proposed capital structure without adjusting for accrued interest. We note that if interest is included, it is likely that both Key and Shareholders will be marginally diluted further.

### Note 2 - Other Shareholders

Armada and Bannister will be issued various securities for assisting in the Transaction. As such, on an undiluted basis, 18.75 million ordinary shares will be collectively issued, as follows:

- 12.5 million ordinary shares issued to Armada; and
- 6.25 million ordinary shares issued to Bannister.

As at the date of our Report, there are 61,229,167 unlisted options (pre-consolidation) issued in Promesa. Given the exercise price of these options after the capital consolidation, they are presently out-of-the-money and are unlikely to be exercised as part of the Transaction. Additionally, as part of the Transaction, Armada will be issued 100 million options which based on the issue price of the Capital Raising will also be out-of-the-money, and unlikely to be exercised as part of the Transaction.

The table below presents Key's maximum possible relevant interest in Promesa, assuming a minimum level of subscription to the Capital Raising, assuming that all of the Performance Shares vest, and assuming that the remaining unlisted options held by other shareholders are not exercised regardless of whether they are in-the-money or not. As detailed in the table, the maximum relevant interest that Key may obtain following the Transaction on these assumptions is 60.53%, and the maximum dilution Shareholders may face is from 100% to 14.91%.

Capital structure of Promesa on an undiluted basis	Existing S'holders	Key	Cap. Raising S'holders	Con note S'holders	Other S'holders	Total
<b>Note:</b>				*	3	
Issued Shares at date of Report	480,515,581	-	-	-	-	480,515,581
Consolidation of capital (5:1)	5	-	-	-	-	5
Issued Shares post consolidation	96,103,117	-	-	-	-	96,103,117
% holdings at date of this Report	100.00%	0.00%	0.00%	0.00%	0.00%	100%
Issue of Consideration Shares	-	250,000,000	-	-	-	250,000,000
Vesting of Performance Shares	-	140,000,000	-	-	-	140,000,000
Shares issued per Capital Raising	-	-	100,000,000	-	-	100,000,000
Shares issued for Con. Notes	-	-	-	32,500,000	-	32,500,000
Issue of shares to Other S'holders	-	-	-	-	25,750,000	25,750,000
<b>Issued Shares post Transaction</b>	<b>96,103,117</b>	<b>390,000,000</b>	<b>100,000,000</b>	<b>32,500,000</b>	<b>25,750,000</b>	<b>644,353,117</b>
% holdings post Transaction	14.91%	60.53%	15.52%	5.04%	4.00%	100%

Source: BDO Analysis

\* Note 1 from above also relates to this table

### Note 3 - Other Shareholders

In this scenario, Armada will be issued an additional 7 million shares on the vesting of the Armada Performance Shares (as we have assumed that all Performance Shares have vested). This means that the total shares issued to the Other Shareholders will increase to 25.75 million ordinary shares.

### Maximum Subscription to Capital Raising

The proposed capital structure of Promesa on an undiluted basis following completion of the Transaction and assuming a maximum subscription to the Capital Raising is set out below. As above, Key does not have a relevant interest in Promesa before the Transaction however following the issue of Consideration Shares, Key's relevant interest will increase to 41.85%. We note this is the minimum relevant interest Key will acquire in Promesa assuming that no other shares are issued. If the Transaction proceeds assuming a maximum subscription to the Capital Raising, Shareholders will be diluted from 100% down to 16.09%.

Capital structure of Promesa on an undiluted basis	Existing S'holders	Key	Cap. Raising S'holders	*Con note S'holders	*Other S'holders	Total
Issued Shares at date of Report	480,515,581	-	-	-	-	480,515,581
Consolidation of capital (5:1)	5	-	-	-	-	-
Issued Shares post consolidation	96,103,117	-	-	-	-	96,103,117
% holdings at date of this Report	100.00%	0.00%	0.00%	0.00%	0.00%	100%
Issue of Consideration Shares	-	250,000,000	-	-	-	250,000,000
Shares issued per Capital Raising	-	-	200,000,000	-	-	200,000,000
Shares issued for Con. Notes	-	-	-	32,500,000	-	32,500,000
Issue of shares to Other S'holders	-	-	-	-	18,750,000	18,750,000
<b>Issued Shares post Transaction</b>	<b>96,103,117</b>	<b>250,000,000</b>	<b>200,000,000</b>	<b>32,500,000</b>	<b>18,750,000</b>	<b>597,353,117</b>
% holdings post Transaction	16.09%	41.85%	33.48%	5.44%	3.14%	100%

Source: BDO Analysis

\* Notes 1 and 2 from above also relate to this table.

As noted above, there are presently 61,229,167 unlisted options (pre-consolidation) issued in Promesa. These options are presently out of the money and are unlikely to be exercised post the Transaction. Additionally, Armada will be issued 100 million options as part of the Transaction which are out of the money based on the issue price of the Capital Raising and are unlikely to be exercised as part of the Transaction.

The table below presents Key's maximum possible relevant interest in Promesa, assuming the Capital Raising is fully subscribed and assuming that all of the Performance Shares issued to Key and Armada vest. Additionally we assume the remaining unlisted options held by all other shareholders are not exercised regardless of whether they are in-the-money or not. As detailed in the table, the maximum relevant interest that Key may obtain following the Transaction on these assumptions is 52.39%, and the maximum dilution Shareholders may face is from 100% to 12.91%.

Capital structure of Promesa on an diluted basis	Existing S'holders	Key	Cap. Raising S'holders	*Con Note S'holders	*Other S'holders	Total
Issued Shares as date of Report	480,515,581	-	-	-	-	480,515,581
Consolidation of capital (5:1)	5	-	-	-	-	5
Issued Shares post consolidation	96,103,117	-	-	-	-	96,103,117
% holdings at date of Report	100.00%	0.00%	0.00%	0.00%	0.00%	100%
Issue of Consideration Shares	-	250,000,000	-	-	-	250,000,000
Performance rights vesting shares	-	140,000,000	-	-	-	140,000,000
Shares issued per Capital Raising	-	-	200,000,000	-	-	200,000,000
Shares issued for Con. Notes	-	-	-	32,500,000	-	32,500,000
Issue of shares to Other S'holders	-	-	-	-	25,750,000	25,750,000
<b>Issued Shares post Transaction</b>	<b>96,103,117</b>	<b>390,000,000</b>	<b>200,000,000</b>	<b>32,500,000</b>	<b>25,750,000</b>	<b>744,353,117</b>
<b>% holdings post the Transaction</b>	<b>12.91%</b>	<b>52.39%</b>	<b>26.87%</b>	<b>4.37%</b>	<b>3.46%</b>	<b>100%</b>

Source: BDO Analysis

\* Notes 1 and 3 from above also relate to this table.

## 5. Profile of Promesa Limited

### 5.1. History and Overview

Promesa was incorporated on 22 March 2007 as an unlisted public company with an initial objective of becoming an oil and gas producer. It was subsequently listed onto the ASX on 11 November 2009 with the same mandate. In January 2011, Promesa changed its main activity away from oil and gas and into base metals with exploration projects in Peru. Promesa has its head office located in Western Australia.

Promesa's current board members and senior management are:

- Mr Solomon Majteles - Non-Executive Chairman;
- Mr Ananda Kathiravelu - Executive Director;
- Mr Timothy Wise - Non-Executive Director; and
- Mr Damon Sweeny - Company Secretary.

Promesa currently has six exploration projects all located in Peru. The names of these projects are:

- Alumbre Project;
- Olleros Project;
- Genex Concessions;
- Yarpun Project;
- Huajarpampa Project; and
- Quinual Project.

Collectively these projects result in an exploration footprint of approximately 5,600 hectares with Promesa's main project being the Alumbre Project. Promesa has also been actively evaluating potential new projects to complement existing activities.

## 5.2. Projects

Set out below is a brief description of the Company's projects.

### Alumbre Project

The Alumbre concession is located 70km southeast of the major city of Trujillio in the north of Peru. This project is a Cu-Mo-Au porphyry system covering an area of approximately 986 hectares and adjoins Promesa's other regional concessions. Promesa holds ownership of the Alumbre concession via outright ownership and through an option to purchase agreement with Minera Fabricio S.A.C.

In 2013, Promesa submitted an environmental impact assessment to the Peruvian Ministry of Energy and Mines. This application was approved in late 2013 and enabled Promesa to begin implementing a three stage diamond drill program in 2014.

### Olleros Project

The Olleros concession is located in the central Andes of Peru and covers an area of approximately 1,900 hectares. The surrounding concessions are held by Barrick Gold Corporation Limited ('Barrick') and as such, the Olleros Project is in the same geological, structural and metallogenic corridor as Barrick's Pierina Gold mine.

### Genex Concessions

The Genex concession is currently under application and covers an area of approximately 600 hectares and neighbours the Olleros concession and the surrounding concessions held by Anglo American, Peñoles and Magistral.

### Yarpun Project

The Yarpun concession is located in central Peru in the Ancash Department and covers an area of approximately 100 hectares. No historical geophysics or drilling has been completed on the project.

### Huajoropampa Project

The Huajoropampa concession is also located in central Peru in the Ancash Department. The concession covers an area of approximately 1,000 hectares. No historical geophysics or drilling has been completed on the project.

### Quinual Project

The Quinual concession is located in the Western Cordilera of the northern Peruvian Andes approximately 71km to the southeast of Trujillo. The concession is prospective for gold, copper and molybdenum and covers an area of 1,000 hectares.

Further information about the Company's projects can be found in Appendix 3.

### 5.3. Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Dec-14 \$	Audited as at 30-Jun-14 \$	Audited as at 30-Jun-13 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1,883	272,307	312,931
Trade and other receivables	19,119	53,061	65,538
Other assets	18,466	10,588	83,322
<b>TOTAL CURRENT ASSETS</b>	<b>39,468</b>	<b>335,956</b>	<b>461,791</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	190,483	194,162	226,193
Financial assets	276,343	300	2,000
Exploration and evaluation expenditure	5,805,839	4,915,917	3,329,138
Other assets	15,840	15,840	15,840
<b>TOTAL NON-CURRENT ASSETS</b>	<b>6,288,505</b>	<b>5,126,219</b>	<b>3,573,171</b>
<b>TOTAL ASSETS</b>	<b>6,327,973</b>	<b>5,462,175</b>	<b>4,034,962</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	1,064,808	539,669	498,747
Provisions	68,501	52,560	33,571
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,133,309</b>	<b>592,229</b>	<b>532,318</b>
<b>TOTAL LIABILITIES</b>	<b>1,133,309</b>	<b>592,229</b>	<b>532,318</b>
<b>NET ASSETS</b>	<b>5,194,664</b>	<b>4,869,946</b>	<b>3,502,644</b>
<b>EQUITY</b>			
Issued capital	13,085,781	11,058,926	9,084,552
Foreign currency translation reserve	(300,528)	(61,765)	(64,253)
Option reserve	578,036	640,531	574,690
Accumulated losses	(8,168,625)	(6,767,746)	(6,092,345)
<b>TOTAL EQUITY</b>	<b>5,194,664</b>	<b>4,869,946</b>	<b>3,502,644</b>

Source: Promesa's audited financial statements for the year ended 30 June 2013 and 30 June 2014 and reviewed financial statements for the half year ended 31 December 2014.

We note that for the half year ended 31 December 2014, Promesa's auditor expressed an emphasis of matter regarding Promesa's ability to continue as a going concern.

We also note the following in relation to the financial position of Promesa:

- The non-current financial assets held for sale are financial instruments which are recognised at cost. The majority of this figure relates to the Equity Swap Agreement between the Company and Lanstead Capital L.P. ('Lanstead') which was announced to the ASX on 14 November 2014. As at 31 December 2014, financial assets held for sale increased to \$0.28 million due to the equity swap agreement.

A breakdown of Promesa's financial assets is below:

Financial assets	\$
Australian listed shares	2,000
Provision for diminishment	(1,700)
Lanstead Equity Swap	682,568
Unrealised loss on Equity Swap	(406,525)
<b>TOTAL</b>	<b>276,343</b>

- The issued capital of Promesa has increased by \$2.02 million (net of transaction costs) over the period from 30 June 2014 to 31 December 2014. The most significant capital raisings included an issue of 27,400,000 ordinary shares pursuant to the share purchase plan which raised \$685,000 and the issue of 76,650,000 ordinary shares at an issue price of \$0.011 per share to institutional investors for consideration of \$843,150. The placement of 76,650,000 ordinary shares to institutional investor forms the equity swap agreement.
- Exploration expenditure is classified as a non-current asset and expenditure is capitalised to the extent that it is expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Between 30 June 2014 and 31 December 2014, exploration expenditure increased as a result of capitalised costs of \$0.83 million which was partially offset by an exchange rate adjustment on conversion from Peruvian Nuevo Sol to Australian Dollars.
- Option reserves decreased to \$0.58 million as a result of the expiry of options.

## 5.4. Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-14 \$	Audited for the year ended 30-Jun-14 \$	Audited for the year ended 30-Jun-13 \$
<b>Revenue</b>			
Other income	1,458	4,782	26,745
<b>Expenses</b>			
Administration expenses	(189,401)	(70,443)	(74,837)
Amortisation and depreciation	(2,800)	(29,933)	-
Consultancy costs	(105,353)	(67,517)	(479,598)
Employee benefit expense	(221,889)	(287,339)	(415,666)
Exploration expenditure impairment	-	(182,753)	(5,591,908)
Exploration expenditure written off	-	(129,333)	-
Provision for doubtful debts	(44,500)	-	-
Impairment of other assets	(81,892)	-	-
Financial administration and compliance	(280,725)	(362,196)	(168,109)
Interest expense	-	(3,962)	-
Legal expense	(8,453)	(6,706)	(12,411)
Travel and accommodation expense	(71,600)	(16,184)	(126,459)
Unrealised loss on financial asset	(406,525)	(1,700)	-
Other expense	(63,440)	(3,729)	(2,631)
<b>Loss from continuing operations before tax</b>	<b>(1,475,120)</b>	<b>(1,157,013)</b>	<b>(6,844,874)</b>
Income tax expense		-	-
<b>Loss from continuing operations after tax</b>	<b>(1,475,120)</b>	<b>(1,157,013)</b>	<b>(6,844,874)</b>
Foreign currency translation differences	(238,763)	2,488	(5,105)
<b>Total comprehensive loss for the year</b>	<b>(1,713,883)</b>	<b>(1,154,525)</b>	<b>(6,849,979)</b>

Source: Promesa's audited financial statements for the year ended 30 June 2013 and 30 June 2014 and reviewed financial statements for the half year ended 31 December 2014.

We note the following in relation to the financial performance of Promesa:

- Administration expenses for Promesa have increased over the half year ended 31 December 2014, in comparison to the year ended 30 June 2014 from \$70,443 to \$189,401. This increase is a result of Promesa remaining active in evaluating potential new projects to complement existing exploration activity within Peru.
- Unrealised financial losses on financial assets have increased from \$1,700 for the year ended 30 June 2014 to \$406,525 for the half year ended 31 December 2014. The large increase can be attributed to the Equity Swap Agreement which the Company entered into with Lanstead on 14 November 2014. Promesa has reduced the value of this asset due to the Company's falling share price.



## 5.5. Capital Structure

The share structure of Promesa at 30 June 2015 is outlined below:

	Number
Total ordinary shares on issue	480,515,581
Top 20 shareholders	206,481,222
Top 20 shareholders - % of shares on issue	42.97%

Source: Share registry information

The range of shares held in Promesa at 30 June 2015 is as follows:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Citicorp Nominees Pty Limited	59,825,287	12.45%
HSBC Custody Nominees (Australia) Ltd	33,356,624	6.94%
Grupo Pegasus SA	19,000,000	3.95%
Invia Custodian Pty Ltd	9,000,086	1.87%
Subtotal	121,181,997	25.22%
Others	359,333,584	74.78%
<b>Total ordinary shares on Issue</b>	<b>480,515,581</b>	<b>100.00%</b>

Source: Share registry information

The ordinary shares held by the most significant shareholders at 30 June 2015 are detailed below:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	9,791	29	0.00%
1,001 - 5,000	161,189	48	0.03%
5,001 - 10,000	671,980	77	0.14%
10,001 - 100,000	17,328,749	372	3.61%
100,001 - and over	462,343,872	400	96.22%
<b>TOTAL</b>	<b>480,515,581</b>	<b>926</b>	<b>100.00%</b>

Source: Share registry information

Promesa has the following company options on issue at 30 June 2015:

Terms	Number of Options
Options exercisable at \$0.05 on or before 10-Dec-15	27,062,500
Options exercisable at \$0.05 on or before 27-Feb-16	34,166,667
<b>Total options on issue</b>	<b>61,229,167</b>

Source: Option registry information

## 6. Profile of Thredit Limited

### 6.1. History and Overview

Thredit was incorporated on the 24 March 2015 and was established to further the development of the Thred Mobile app. Thredit is an unlisted company registered in Hong Kong S.A.R. and is involved in developing mobile platform applications. Thredit's key business venture is the development of the meta-social and unified social messaging application named Thred which was initially developed by Key and acquired by Thredit in March 2015.

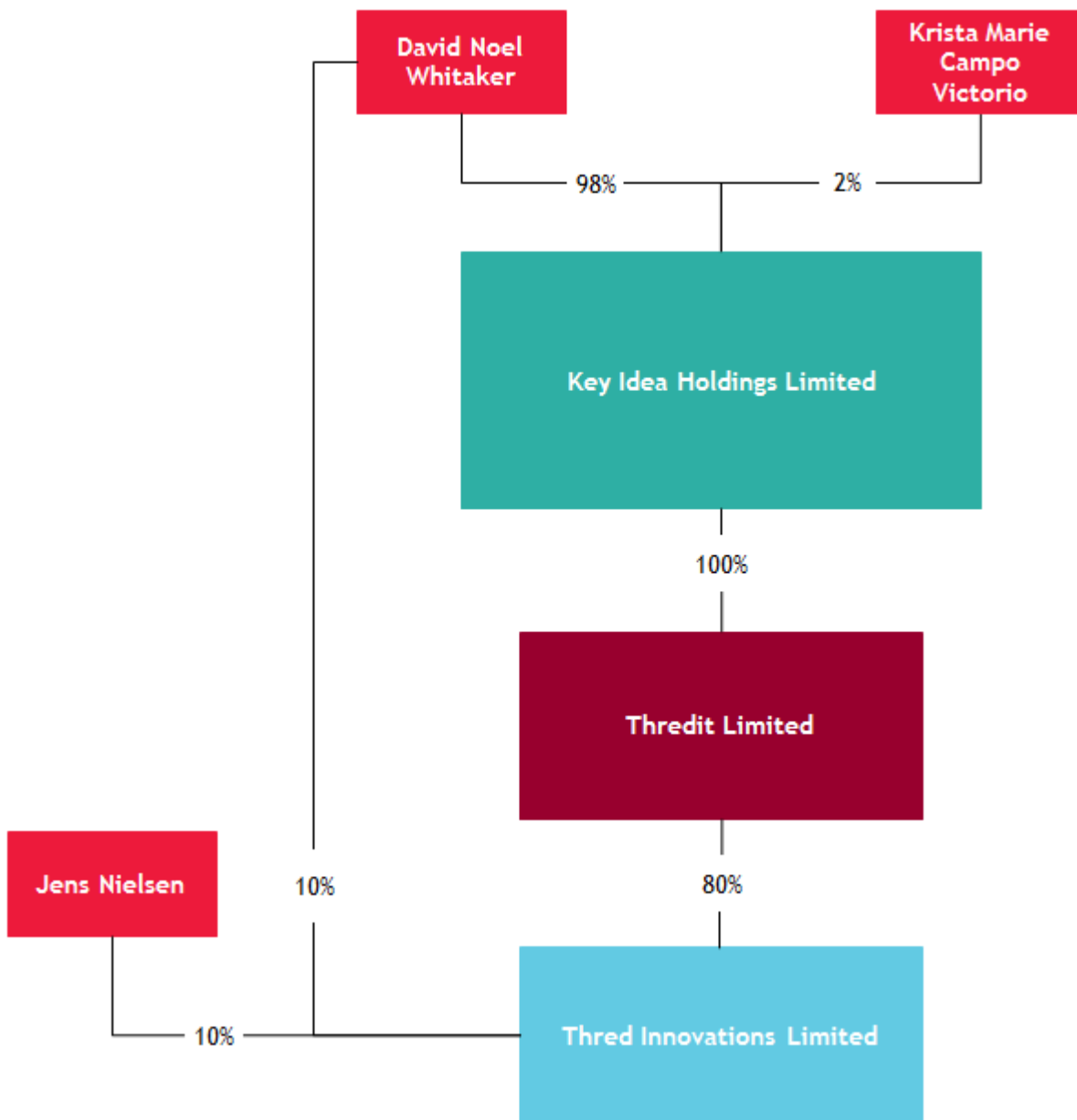
Thred is a messaging and media sharing mobile platform application which enables individuals and groups to access over 140 different social media platforms via the Thred application. The goal of Thred is not to compete with existing social media applications and networks but instead to remake the way these existing services are used by individuals and groups.

On 1 July 2015, Thredit advised that alpha stage development testing of the mobile application Thred was complete, and that the beta stage development of the application will now commence.

Thredit's current board member and senior management include:

- Mr David Whitaker - Chief Executive Officer and Director;
- Mr Jens Nielsen - Chief Technology Officer; and
- Mr Chris Jones - Chief Marketing Officer.

Thredit is presently wholly owned by Key. In turn, Key is owned by two shareholders, namely Mr David Whitaker and Ms Krista Victorio. Their respective holdings in Key are illustrated by the diagram below.



Source: Thredit management

## 6.2. Historical Balance Sheet

Statement of Financial Position	Audited as at 31-Mar-15 HKD\$
<b>NON-CURRENT ASSETS</b>	
Intangible asset	1
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1</b>
<b>TOTAL ASSETS</b>	<b>1</b>
<b>CURRENT LIABILITIES</b>	
Accruals	50,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>50,000</b>
<b>TOTAL LIABILITIES</b>	<b>50,000</b>
<b>NET ASSETS</b>	<b>(49,999)</b>
<b>EQUITY</b>	
Share capital	1
Accumulated losses	(50,000)
<b>TOTAL EQUITY</b>	<b>(49,999)</b>

Source: Thredit's audited financial statements for the period ending 31 March 2015

We note for the period ending 31 March 2015, Thredit's auditor expressed an emphasis of matter regarding Thredit's ability to continue as a going concern and that its ultimate holding company, Key, had confirmed in writing its intention to provide continuing financial support to Thredit.

We note the following in relation to the financial position of Thredit:

- Thredit's auditor explains that the intangible asset of HKD\$1 at 31 March 2015 represents a software to enhance communication between people acquired from related company. The HKD\$1 value does not necessarily represent the fair value of the Thred app or the cash expended on its development by Key;
- Additionally, Thredit is unable to prepare a reliable estimation of the future cash flow since the date of acquisition and assess the recoverable amounts of the intangible asset at 31 March 2015. Thredit has advised that it is probable that future economic benefits attributable to the asset will flow to the entity upon the launch of the software to the market; and
- The accruals of HKD\$50,000 relate to accrued auditor's expenses of HKD\$50,000.

### 6.3. Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the period from 24-Mar-15 to 31-Mar-15 HKD\$
Revenue	-
<b>Expenses</b>	
Administration expenses	(50,000)
<b>Loss from continuing operations before tax</b>	<b>(50,000)</b>
Income tax expense	-
<b>Loss from continuing operations after tax</b>	<b>(50,000)</b>
Other comprehensive income	-
<b>Total comprehensive loss for the period</b>	<b>(50,000)</b>

Source: Thredit's audited financial statements for the period from 24 March 2015 to 31 March 2015

We note the administrative expenses of Thredit during the period from 24 March 2015 to 31 March 2015 relates to auditor's remuneration of HKD\$50,000.

## 7. Economic analysis

In the section below we have addressed the key economic indicators in Australia and where appropriate set out our assessment of the implications for Promesa.

### Interest rates

The effects of the US Federal Reserve's quantitative easing continue to keep global long-term borrowing rates down, with some major sovereigns reaching historical lows over recent months. Despite some risk spreads widening slightly, the overall financing costs for creditworthy borrowers remains very low. The RBA has maintained the cash rate at historical lows in order to stimulate the economy through a period of poor commodity prices.

Financial conditions are very accommodative globally with long term borrowing rates for several major sovereigns at all-time lows. Financing costs for credit worthy borrowers remain remarkably low.

### Credit growth

Historically low interest rates have contributed to moderate credit growth overall. Lending to business has been stronger of late with the housing market recording steady growth. In other asset markets, prices for equities and commercial property have risen, partially as a result of declining long-term interest rates.

Promesa may be positively affected by an overall increase in Australian equities as investors seek investments returning higher yields than long term interest rates can provide.

### The Australian dollar

The Australian dollar has weakened significantly against the rising US dollar, though less so against a basket of currencies. Despite remaining above most estimates of its fundamental value, a further depreciation of the Australian dollar is both likely and necessary, given the significant decline in key commodity prices.

The weak Australian dollar is likely to attract additional foreign investment in Australian assets. Promesa may benefit from the increased capital flow and resultant demand for Australian equities.

### Economic growth

Information available for the Australian economy suggests growth has continued over the last six months, albeit at a below-trend pace. Trends in household demand have improved in addition to stronger employment growth. Looking ahead, private demand is likely to be hindered by reduced business capital expenditure in both the mining and non-mining sectors. Public spending is also scheduled to be subdued. The economy is therefore likely to be operating with a degree of spare capacity for some time yet. Inflation is expected to remain consistent with targets over the next one to two years, despite lower exchange rates.

### Commodity prices

Commodity prices have declined over the past year, in some cases sharply. Oil and iron ore in particular have fallen significantly. These trends can be attributed to a combination of lower growth in demand and increased supply. Low energy prices will act to strengthen global output and temporarily lower CPI inflation rates.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Glenn Stevens, Governor: Monetary Policy Decision 5 May 2015 and 2 June 2015.

## 8. Industry analysis

### 8.1 Overview

The mobile application development industry provides users with applications for smart phones and other mobile devices to provide a variety of functions dependent on user needs. Globally, this industry is experiencing rapid growth predominantly due to the low barriers to entry and the increasing market penetration of smart phone users. Given the ease of entering the industry, the mobile application development industry has a low level of market concentration and high levels of competition.

The primary activities of this industry revolve around providing users with mobile based applications for any specific purpose, with the key groupings being for gaming, entertainment, productivity and lifestyle.

### 8.2 Products and markets

#### Products

The main groupings of products offered by this industry include:

- **Gaming applications** - widely popular as a convenient and low-cost alternative to traditional gaming consoles.
- **Entertainment applications** - providing playback, editing and dedicated sharing capabilities across photos, videos and music.
- **Tool and productivity applications** - particularly popular with smart phone users enabling them to access emails, calendars, note-taking, and cloud file sharing and organisation software.
- **Lifestyle and social networking applications** - these include online shopping and other consumer focused applications as well as social networks applications.

- **Other applications** - broadly includes all other applications, of which there has been increasing popularity of applications created to provide digital store fronts for traditionally brick and mortar stores.

## Major markets

The main markets that demand mobile platform application developers are:

**Individuals** - The key market for mobile application developers are the general users of smart mobile devices.

**Government agencies** - Federal and state governments form another key market who commonly commission application developers to design and develop applications which generate conversation and awareness on matters of public interest which fall within their specific care and jurisdiction.

**Online businesses** - Online businesses commonly commission application developers to ensure their customers can access their business across all potential mediums.

**Other businesses** - Even where a business does not have an existing online presence, mobile applications can still be utilised by either their customers or employees. For example, it is not uncommon for large enterprises to utilise mobile applications to increase productivity and efficiency within its business.

### 8.3 Demand determinants

Demand for mobile platform applications is primarily derived from the adoption of such technologies by the community at large, as a result, the key demand determinants include:

**Smart device usage** - as adoption of smart mobile devices grows and cellular infrastructure improves and becomes most cost effective for consumers, users of smart devices will inevitably be able to enjoy the new functionalities and features which mobile applications can provide. As a result, this forms a key demand determinant.

**Market saturation of an application** - the more people using a particular mobile application the more beneficial that application can be to those users. In effect, the demand for mobile applications can be swayed by popularity as opposed to functionality. As a result, ensuring mobile applications have sufficient market exposure and consumer loyalty can have significant influence on demand.

**Pricing** - Mobile applications are predominantly consumer products and therefore affordability remains a significant determinant. Applications can generally fall into one of three categories namely, free to download with advertisements, free to download with in-app purchases and once-off payment for download.

### 8.4 Cost structure

Cost structure benchmarks faced by industry participants can vary depending on the size and structure of the business, however in comparison to cost structure benchmarks of all industries within the sector, there are some notable differences.

- **Profits** - industry profits margins have been increasing, and are generally greater than the sector average, this is due to the nature of the industry and the increasing market penetration of smart phones.

- **Wages** - are commonly the most significant portion of the industry cost structure given that application development involves highly skilled and specialised labour. This generally includes software engineers, IT specialists and other technical support personnel.
- **Royalties** - form another significant cost given that the majority of applications are sold via an application store host such as those provided by Apple and Google.
- **Purchases** - generally includes the acquisition of development kits to enable developers to establish their product on a particular mobile operating system. As a result, although this cost has historically been comparatively smaller against the sector, the increasing number of different mobile operating systems has necessitated the requirement for application developers to purchase more development kits to ensure their products have coverage across all types of mobile operating systems. As a result, this cost is expected to increase.
- **Other** - commonly includes insurance, utilities, advertising, and repairs and maintenance of computer equipment. In aggregate these expenses generally form a substantial portion of the cost structure but are expected to remain stable over the near future.

## 8.5 Current performance

The relative ease of entering the industry has resulted in an increase in participation and employment within the industry. Since the global financial crisis, although both consumer and business spending has reduced and affected the global software sector, mobile application development has continued to grow given the low costs associated with developing these comparatively simple programs. These influences have led to increases in the supply of mobile application developers.

As an example, the Australian mobile application developers industry has grown at a compound annual rate of 27.5% over the five years to 2014-15, and the industry revenue has expanded by 9.1% in 2014-15.

On the demand side, the increasing penetration of smart phone devices which is presently at 29% of all mobile devices connected globally, and the continuing development of cellular network advances for mobile devices, has resulted in increased demand for mobile applications and as such the developers.

Specifically in relation to social networking and their respective mobile applications we note that in the United States, the industry for social networking sites generated revenues of approximately \$11.2 billion in 2015. From 2010 to 2015, the industry's revenue has observed an annual growth rate of 25.4%, and is projected to continue growing by approximately 19.5% from 2015 through to 2020. Additionally, a study in the United States observed that the use of multiple social networking applications, as opposed to just one, is increasing. The study demonstrated that in 2014, 52% of online adults used two or more social media sites or applications. This represented a significant increase over the 42% of online adults in 2013.

## 8.6 Industry outlook

The key driver for this growth is expected to be the increased usage of smart devices, and the continuing development and expansion of higher-generation cellular networks such as 4G or Long-Term Evolution ('LTE').

Globally, it is expected that by 2019 more than half of all devices connected to mobile networks will be smart devices. This represents a compound annual rate of 9% over the four years to 2019. It is also expected that by 2019, a greater portion of mobile devices will be connected to a higher-generation



cellular network such as 4G or LTE. It is however recognised that the growth rate itself will decrease over time as the market for developers' beings to saturate.

For Australia specifically, the industry is forecasted to grow at a compound annual rate of 7.1% over the five years through 2019-20.

Source: IBIS World, Cisco and Pew Research Centre

## 9. Valuation approach adopted

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

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

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

### 9.1 Valuation of a Promesa share Pre-Transaction

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Promesa shares we have chosen to employ the following methodologies:

- NAV approach as our primary method; and
- QMP approach as our secondary method.

We have chosen these methodologies for the following reasons:

- there is a lack of reliable long term forecasts available for a DCF approach to be undertaken as the Company does not currently have any producing assets and no revenue or cash flows are currently generated by these assets or are likely to in the near future; and
- the Company is not currently generating any income nor are there any historical earnings that could be used to represent future earnings. As such, the FME approach is not appropriate.
- In accordance with Promesa's audited full year financial report to 30 June 2014 and half year review to 31 December 2014, there exists a material uncertainty, which may cast significant doubt as to whether the Company will continue as a going concern unless additional funding is raised to exploit and develop its current projects. We therefore consider the NAV methodology to be an appropriate valuation approach to undertake.
- The QMP method is a relevant methodology to consider as Promesa's shares are listed on the ASX. This means that there is a regulated and observable market where Promesa's shares can be traded. However, in order for QMP to be considered appropriate, the Company's shares should be liquid and the market should be fully informed of the Company's activities.

## 9.2 Valuation of a Promesa share Post-Transaction

In our assessment of the value of a Promesa share following the Transaction ('Post-Transaction'), we have adopted the sum-of-parts approach, which estimates the market value of a company by separately valuing each asset and liability of the company. The value of each asset may be determined using different methods. The Post-Transaction value of Promesa consists of the following components:

- Pre-Transaction value of Promesa;
- Adjustments to the value of Promesa following the Transaction;
- Value of Thredit using a NAV approach; and
- Value adjustment on account of the Capital Raising.

We have chosen the NAV approach in valuing Thredit for the following reasons:

- Thredit's shares are not listed on the ASX and hence, there is no regulated and observable market where Thredit's shares are traded. Accordingly, we cannot value the shares of Thredit based on the QMP basis.
- Thredit does not have reliable long term forecasts and as such we have insufficient reasonable grounds for a DCF approach to be undertaken. As such, we have not elected to use the DCF valuation approach.
- The FME approach is most commonly applicable to profitable businesses with relatively steady growth histories and forecasts. However, we are unable to use this approach with regard to the valuation of Thredit, as it has yet to make any revenues from operations. This implies that we do not have a reasonable basis to assess future maintainable earnings of Thredit.
- The NAV methodology has therefore, been considered as an appropriate valuation approach to undertake. However, we note that asset based methods ignore the possibility that Thredit's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as goodwill and intellectual property rights. This is particularly important in the case of Thredit given its early stage of development and growth potential.

We therefore conclude the most appropriate methodology to value Thredit is the NAV methodology.

## 10. Valuation of Promesa prior to the Transaction

### 10.1. Net Asset Valuation of Promesa

The value of Promesa's assets on a going concern basis is reflected in our valuation below:

NAV prior to the Transaction	Notes	31-Dec-14 \$	Low value \$	Preferred value \$	High value \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	1	1,883	5,764	5,764	5,764
Trade and other receivables		19,119	19,119	19,119	19,119
Other assets		18,466	18,466	18,466	18,466
<b>TOTAL CURRENT ASSETS</b>		<b>39,468</b>	<b>43,349</b>	<b>43,349</b>	<b>43,349</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment		190,483	190,483	190,483	190,483
Financial assets		276,343	276,343	276,343	276,343
Exploration expenditure	2	5,805,839	170,000	200,000	230,000
Other assets		15,840	15,840	15,840	15,840
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,288,505</b>	<b>652,666</b>	<b>682,666</b>	<b>712,666</b>
<b>TOTAL ASSETS</b>		<b>6,327,973</b>	<b>696,015</b>	<b>726,015</b>	<b>756,015</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables		1,064,808	1,064,808	1,064,808	1,064,808
Provisions		68,501	68,501	68,501	68,501
Convertible Loan	3	0	1,000,000	1,000,000	1,000,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,133,309</b>	<b>2,133,309</b>	<b>2,133,309</b>	<b>2,133,309</b>
<b>TOTAL LIABILITIES</b>		<b>1,133,309</b>	<b>2,133,309</b>	<b>2,133,309</b>	<b>2,133,309</b>
<b>NET ASSETS</b>		<b>5,194,664</b>	<b>(1,437,294)</b>	<b>(1,407,294)</b>	<b>(1,377,294)</b>
Shares on issue (number)	4	384,412,464	480,515,581	480,515,581	480,515,581
Value per share (\$)		0.0135	(0.002991)	(0.002929)	(0.002866)
Shares on issue after 1 for 5 capital consolidation			96,103,117	96,103,117	96,103,117
Value per share (\$)			(0.014956)	(0.014644)	(0.014331)
Value per share (cents)			(1.496)	(1.464)	(1.433)

Source: BDO analysis

Other than the adjustments we have made below, we have been advised that there has not been a significant change in the net assets of Promesa since 31 December 2014. The table above indicates a net asset deficiency for the value of Promesa share on a low, preferred and high basis. Effectively this means that our value of a Promesa share using the NAV approach is nil.

In arriving at this valuation, we have made the following adjustments.

### Note 1: Cash and cash equivalents

Cash and cash equivalents have increased since 31 December 2014 as a result of cash movements as detailed below:

Cash and cash equivalents adjustments		\$
Balance as at 31-Dec-14		1,883
Cash movements as per Mar-15 quarterly		8,000
Net cash raised from sophisticated share placements		365,192
Net cash raised from convertible note		625,500
Other net inflows		95,448
Less: Option facilitation fee to Thredit		(125,000)
Less: Cash expenditure - exploration		(693,730)
Less: Cash expenditures - administration		(271,529)
Adjusted cash and cash equivalents value		5,764

Source: BDO analysis

We have adjusted Promesa's cash balance to reflect the net increase in cash during the March 2015 quarter. Promesa also raised \$1 million via a convertible note issue on 25 February 2015. Refer to note 3 for further details of the convertible note. The net cash convertible note figure above is net of costs relating to the raising and less operating expenses from the March 2015 quarter.

Promesa also raised \$365,192 after expenses in a placement to sophisticated investors to help with the funding of the Thredit Option Facilitation Fee. The Company paid a \$125,000 fee to Thredit to establish the Option Facilitation agreement. Under the terms of the Option Facilitation agreement, Promesa can purchase 100% of the issued capital in Thredit for the consideration mentioned in Section 4 above. We have adjusted the cash balance to reflect this transaction.

### Note 2: Valuation of Promesa's mineral assets

We instructed Agricola Mining Consultants Pty Ltd ('Agricola') to provide an independent market valuation of the exploration assets held by Promesa in accordance with the Valmin Code and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('JORC Code'). Agricola's report is included in Appendix 3 to this report.

Agricola considered a number of different valuation methods when valuing the exploration assets of Promesa. The DCF method is not considered to be appropriate given there is no pre-feasibility or feasibility study available and no associated JORC compliant ore reserves. The Geoscientific Factor method (potential for further discoveries) and Past Expenditure methods are appropriate for exploration ground that is not advanced enough to estimate mineral resources. A comparison of similar transactions over adjacent ground may be appropriate but in the absence of such information the only viable method is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code.

As such, Agricola applied the Kilburn Geoscience Rating ('Geo-factor rating') to value the Company's Peruvian exploration projects. This method is based on the opinions of prospectivity in the region. The Geo-factor Rating method systematically assesses four key technical attributes of a tenement to arrive at a series of factors that are multiplied together to produce a prospectivity rating. The Basic Acquisition Cost ('BAC') is the important input to the method and it is calculated by summing the application fees,

annual rent, work required to facilitate granting (e.g. native title, environment etc.) and statutory expenditure for a period of 12 months. This is usually expressed as average expenditure per square kilometre. Equity and grant status are also taken into account. Each factor then multiplied serially to the BAC. The 'Base Value' is multiplied by the prospectivity rating to establish the overall technical value of each mineral property.

We consider the Geo-Factor rating method to be appropriate given the early development stage of Promesa's exploration assets.

The range of values for each of Promesa's exploration assets as calculated by Agricola is set out below:

Promesa Limited	Low value	Preferred value	High value
Mineral Asset Valuation	\$	\$	\$
Alumbre	60,000	70,000	80,000
Quinval	30,000	30,000	40,000
Huajoropampa	30,000	30,000	40,000
Yarpun	10,000	10,000	10,000
Olieros	40,000	50,000	60,000
Genex	-	-	-
<b>Total</b>	<b>170,000</b>	<b>200,000</b>	<b>230,000</b>

Source: Agricola

The table above indicates a range of values for the Company's exploration assets of between \$0.17 million and \$0.23 million, with a preferred value of \$0.20 million. The full version of Agricola's Independent Valuation Report is attached in Appendix 3.

### Note 3: Promesa Convertible Loans

Promesa has entered into a convertible loan facility to raise up to \$1 million (previously defined as 'Promesa Convertible Loans'). The Promesa Convertible Loans convert with an accrued interest rate of 1% per month to Promesa shares, subject to shareholder approval, at a conversion price of \$0.005 per share (on a post-consolidation basis).

We have adjusted the value of Promesa before the Transaction to reflect the outstanding liability. The convertible note will be repaid in cash or extinguished by way of the conversion facility post the Transaction.

### Note 4: Shares on issue

We have adjusted the number of shares on issue to take into account the share placements which have occurred following 31 December 2014. We have summarised the adjusted shares on issue in the table below:

Shares of issue	Number
Number of shares as at 31-Dec-14	384,412,464
Issue of shares at \$0.003 per share	57,661,870
Issue of shares at \$0.006 per share	38,441,247
<b>Adjusted shares on issue</b>	<b>480,515,581</b>

Source: BDO Analysis

## 10.2. Quoted Market Prices for Promesa's Securities

To provide a comparison to the valuation of a Promesa share in Section 10.1, we have also assessed the quoted market price for a Promesa share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering 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. 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.

Whilst Key will not be obtaining 100% of Promesa, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. 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.

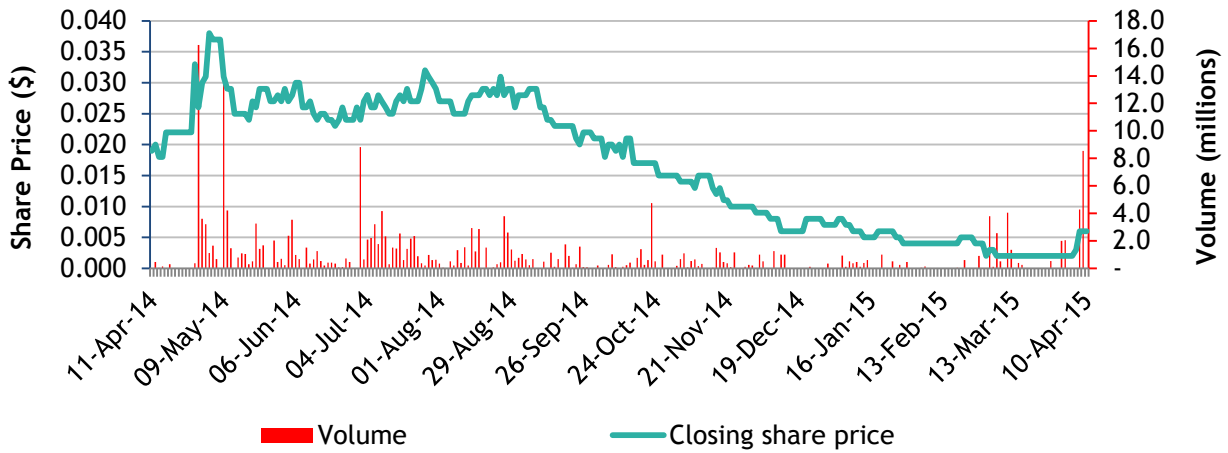
Therefore, our calculation of the quoted market price of a Promesa share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

### Minority interest value

Our analysis of the quoted market price of a Promesa share is based on the pricing prior to the announcement of the Transaction. This is because the value of a Promesa share after the announcement may include the effects of any change in value as a result of the Transaction. However, we have considered the value of a Promesa share following the announcement when we have considered reasonableness in Section 13.

Information on the Transaction was announced to the market on 13 April 2015. Therefore, the following chart provides a summary of the share price movement over the 12 months to 10 April 2015 which was the last trading day prior to the announcement.

### Promesa share price and trading volume history



Source: Bloomberg

The daily price of Promesa’s shares from 11 April 2014 to 10 April 2015 has ranged from a low of \$0.002 on 6 April 2015 to a high of \$0.049 on 8 May 2014.

There appears to be significant unexplained spikes in trading volumes, for example on 9 July 2014 and 3 March 2015, there were approximately 4.16 million and 3.78 million Promesa shares traded on the ASX. Our analysis of Promesa’s announcement over the twelve months to 10 April 2015 indicates that there was not any material information released to the market on or around this day.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
09/03/2015	Capital Raising	0.002	▶	0.0%	0.002	▶	0.0%
17/02/2015	Response to ASX Appendix 5B Query	0.004	▶	0.0%	0.005	▲	25.0%
02/02/2015	Quarterly Cashflow Report	0.004	▶	0.0%	0.004	▶	0.0%
02/02/2015	Quarterly Activities Report	0.004	▶	0.0%	0.004	▶	0.0%
23/01/2015	Drilling Results ALDD14008 from Alumbre Project	0.006	▶	0.0%	0.005	▼	16.7%
08/01/2015	Drilling Results from Alumbre Project	0.007	▶	0.0%	0.006	▼	14.3%
28/11/2014	Airborne Geophysics Programme Commences at Promesa Projects	0.010	▶	0.0%	0.009	▼	10.0%
14/11/2014	Key Institutional Capital Raising	0.015	▶	0.0%	0.013	▼	13.3%
31/10/2014	Quarterly Activities Report	0.015	▶	0.0%	0.014	▼	6.7%
31/10/2014	Quarterly Cashflow Report	0.015	▶	0.0%	0.014	▼	6.7%
22/10/2014	Final Hole Intersects Best Alteration to Date	0.017	▶	0.0%	0.015	▼	11.8%
14/10/2014	Encouraging Mineralisation and Alteration Continues - Alumbre	0.021	▲	17%	0.017	▼	19%
03/10/2014	Potential for Multiple Porphyry Centre at Alumbre	0.021	▶	0%	0.020	▼	5%
18/09/2014	Encouraging Molybdenum Mineralisation Extends Drillhole	0.023	▶	0%	0.023	▶	0%
05/09/2014	Promesa to Ramp Up Exploration & Stage 2 Drilling Update	0.029	▲	4%	0.026	▼	10%
28/08/2014	Encouraging Drill Core Observations Begin Stage 2 At Alumbre	0.029	▲	4%	0.028	▼	3%
20/08/2014	Drilling Commences at Alumbre Project	0.029	▶	0%	0.028	▼	3%
13/08/2014	Drilling to Commence at Alumbre	0.027	▲	8%	0.028	▲	4%
01/08/2014	Quarterly Activities Report	0.027	▼	7%	0.027	▶	0%
01/08/2014	Quarterly Cashflow Report	0.027	▼	7%	0.027	▶	0%
30/07/2014	Magnetic Susceptibility Readings Confirm Copper Association	0.030	▼	3%	0.027	▼	10%
23/07/2014	Approval to Commence Stage 2 Drilling	0.027	▶	0%	0.032	▲	19%
10/07/2014	Best Geochemical and Magnetic Targets Yet To Be Drill Tested	0.027	▼	4%	0.025	▼	7%
01/07/2014	Significant Copper Results	0.026	▲	8%	0.028	▲	8%
12/06/2014	Promesa Plans Stage 2 Drilling Program	0.027	▲	4%	0.025	▼	7%
20/05/2014	PRA Increases to 100% Ownership of Adjoining Concession	0.024	▼	4%	0.029	▲	21%
08/05/2014	Extensive Mineralisation Identified in 400m of Fifth Hole	0.037	▶	0%	0.029	▼	22%



01/05/2014	Drill Core Indicates Discovery of Large Cu Porphyry System	0.030	▲	15%	0.037	▲	23%
29/04/2014	Drill Core Indicates Discovery of Large Copper Ore Body	0.033	▲	50%	0.031	▼	6%
28/04/2014	Quarterly Activities and Cash Flow Report	0.022	▶	0%	0.030	▲	36%
14/04/2014	Chalcopyrite Mineralisation Intersected	0.020	▲	5%	0.022	▲	10%

On 29 April 2014, Promesa announced an update in relation to the commencement of its drilling at the Alumbre Project. In particular, it disclosed that a large zone of mineralisation had been intersected in one of the drill holes which included fine grained copper and molybdenum mineralisation. As expected on the day of the announcement the Company's share price increased by 50% to \$0.033.

On 1 May 2014, the Company replaced its prior announcement dated 29 April 2014 and updated it to reflect that the drill core interpretation indicated a potentially large copper porphyry system as opposed to an ore body. No other new information was announced. The share price increased by 15 % to \$0.030 and continued to increase in the three days after the announcement, with share price closing at \$0.037, representing a 23% increase.

On 8 May 2014, Promesa announced it had successfully drilled their fifth hole in their stage 1 drilling program. The announcement confirmed potential prospectively of a porphyry system. Notwithstanding this announcement, Promesa's share price remained unchanged on the announcement day, and subsequently decreased by 22% over the subsequently three days to \$0.029.

On 20 May 2014, Promesa announced that it had successfully renegotiated and improved the terms of its farm-in agreement with Minera Fabricio S.A.C. the vendor of a specific concession within the Alumbre Project. Unexpectedly on the day of this announcement, Promesa's share price decreased by 4% but over the subsequent three trading days increased by 21% to \$0.029.

On 23 July 2014, the Company announced that it had received approval from the Ministry of Mines and Energy in Peru for their amended stage 2 drilling program for the Alumbre Project. On the back of this announcement, the share price of Promesa rose by 19% to \$0.032 over the subsequent three days of trade.

On 14 October 2014, Promesa provided an update on its progress for stage 2 of drilling at the Alumbre Project and confirmed that the results appeared consistent with a mineralised porphyry system. On the day of the announcement, Promesa's share price increased by 17% to close at \$0.021, but subsequently decreased by 19% over the next three days to close at \$0.017.

On 8 January 2015, the Company announced drill hole results for the Alumbre Project. The share price remained unchanged on the day of the announcement, but subsequently fell by 14% over the next three days to close at \$0.006.

On 23 January 2015, Promesa announced further drill hole results for the Alumbre Project. The share price remained unchanged on the day of the announcement, but over the subsequent three days, fell by 17% to close at \$0.005.

On 17 February 2015, Promesa provided a letter responding to ASX's query letter and confirmed the directors of Promesa considered they had sufficient funding capacity to continue operations. As a result of this announcement, although the share price did not change on the day of the announcement, three days subsequent to the announcement the share price of Promesa had increased by 25%, resulting in a closing price of \$0.005.

To provide further analysis of the market prices for a Promesa share, we have also considered the volume weighted average market price for 10, 30, 60 and 90 day periods to 10 April 2015.

Share Price per unit	10-Apr-15	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.006				
Volume weighted average price (VWAP)		\$0.003	\$0.003	\$0.003	\$0.004

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Promesa's shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in Promesa shares for the 12 months to 10 April 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.006	\$0.006	-	0.00%
10 Days	\$0.002	\$0.006	16,861,199	4.39%
30 Days	\$0.002	\$0.006	30,343,974	7.89%
60 Days	\$0.002	\$0.006	34,250,082	8.91%
90 Days	\$0.002	\$0.009	41,408,096	10.77%
180 Days	\$0.002	\$0.032	95,795,512	27.83%
1 Year	\$0.002	\$0.049	214,064,963	69.31%

Source: Bloomberg, BDO analysis

This table indicates that Promesa's shares display a moderate level of liquidity, with 69.31% of the Company's current issued capital being traded in a 12 month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Promesa, we do not consider there to be a deep market for Promesa's shares noting that only 27.83% of Promesa's current issued capital traded on the ASX over the 180 trading days prior to the announcement of the Transaction and there are some unexplained movements in the share price of Promesa.

Our assessment is that a range of values for Promesa shares based on market pricing, after disregarding post announcement pricing, is between 0.3 cents and 0.4 cents. We note that Promesa's share price increased from a close of \$0.003 on the 7 April 2015 to \$0.006 on the 8 April 2015. We note that a parcel

of 100,000 Promesa shares traded at \$0.006 on the close of the market on the 8 April 2015. We have excluded this closing price from our QMP analysis due to the immaterial value of the trade.

## Control Premium

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	34	493.91	31.40
2013	39	194.10	47.97
2012	55	329.89	36.46
2011	70	733.44	49.91
2010	70	730.89	37.93
2009	65	317.39	44.63
2008	43	753.31	39.47
2007	84	1008.24	21.79
2006	96	647.74	22.95
	<b>Mean</b>	<b>578.77</b>	<b>36.95</b>
	<b>Median</b>	<b>647.74</b>	<b>37.93</b>

Source: Bloomberg and BDO Analysis

The mean and median figures above are calculated based on the average deal value and control premium for each respective year. To ensure our data is not skewed we have also calculated the mean and median of the entire data set comprising control transactions from 2006 onwards, as set out below.

Entire Data Set Metrics	Average Deal Value (AU\$m)	Average Control Premium (%)
<b>Mean</b>	<b>621.43</b>	<b>35.48</b>
<b>Median</b>	<b>84.90</b>	<b>28.79</b>

Source: Bloomberg and BDO Analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates the long term average control premiums paid by acquirers of all companies on the ASX is approximately 35.5%.

In assessing the sample of transactions which were included in the table, we've noted transactions within the list which appear to be extreme outliers. These outliers include 30 transactions where the announced control premium was in excess of 100% and 47 transactions where the acquirer obtained a controlling interest at a discount (i.e. less than 0%). In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean.

In the case of Promesa, if the Transaction is approved, Key has the potential to increase its holding to a range between 41.85% and 60.53%, assuming no further shares are issued. As a result, Key should be expected to pay a control premium. In determining the premium for control to be paid by Key we have taken into account the above analysis including the nature of the Transaction. We believe an appropriate control premium to apply to our valuation is between 20% and 25%.

### Quoted market price including control premium

Applying a control premium to Promesa's quoted market share price results in the following quoted market price value including a premium for control:

	Low	Midpoint	High
	Cents	Cents	Cents
Quoted market price value	0.30	0.35	0.40
Control premium	20%	23%	25%
<b>Quoted market price valuation including a premium for control</b>	<b>0.36</b>	<b>0.43</b>	<b>0.50</b>

Source: BDO analysis

Therefore, our valuation of a Promesa share based on the quoted market price method and including a premium for control is between 0.36 cents and 0.50 cents, with a midpoint value of 0.43 cents.

### 10.3. Assessment of Promesa's Value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	cents	cents	cents
Net assets value (Section 10.1)	Nil	Nil	Nil
ASX market prices (Section 10.2)	0.36	0.43	0.50

Source: BDO analysis

Our valuation of a Promesa share under the QMP methodology (including a premium for control) is significantly higher than our valuation under the NAV methodology. The differences between the valuations obtained under the NAV and QMP approaches can be explained by the following:

- The NAV value is lower than the QMP value range, which is not uncommon for exploration companies, which often trade at a premium to their net asset values. This is because investors anticipate some potential upside of 'blue-sky' prospects for the company, which are factors into the share price in advance of any such value being warranted. We note that the intention to

relinquish the exploration assets was only announced as part of the announcement of the Transaction.

- Our NAV methodology includes an independent valuation report of Promesa's mineral assets performed by Agricola. Agricola has relied on a combination of valuation methods which reflect the potential value of Promesa's mineral assets.
- Under RG 111.69(d), the QMP methodology is considered appropriate when a liquid and active market exists for the securities. From our analysis of the QMP of a Promesa share, we note that there is not a deep market for the Company's shares with only 27.8% of the Company's share capital being traded in the six months trading period. Additionally, there are numerous unexplained trading volume spikes which has resulted in irregular trading over the period.

For the reasons described above, we conclude that the value obtained under the NAV approach is the most appropriate methodology and as such consider the value of a Promesa share to be nil as the Company has a net asset deficiency.

## **11. Valuation of Promesa following the Transaction**

When assessing non-cash consideration in control transactions, RG 111.31 suggests that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- the acquirer is obtaining or increasing control of the target; and
- the security holders in the target will be receiving scrip constituting minority interests in the combined entity.

## 11.1 Net Asset Value of Thredit pre the Transaction

NAV of Thredit	Notes	Audited as at 31-Mar-15 HKD\$	Preferred Value AU\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1	-	1,000,000
<b>TOTAL CURRENT ASSETS</b>		-	1,000,000
<b>NON-CURRENT ASSETS</b>			
Intangible asset	2	1	-
<b>TOTAL NON-CURRENT ASSETS</b>		1	-
<b>TOTAL ASSETS</b>		1	1,000,000
<b>CURRENT LIABILITIES</b>			
Borrowings	1	-	1,000,000
Accruals	3	50,000	8,352
<b>TOTAL CURRENT LIABILITIES</b>		50,000	1,008,352
<b>TOTAL LIABILITIES</b>		50,000	1,008,352
<b>NET ASSETS</b>		(49,999)	(8,352)

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of Thredit since 31 March 2015 apart from the adjustments discussed below.

### Note 1: Cash and cash equivalents

We have adjusted the value of Thredit to reflect the Series A Convertible Notes and Series B Convertible Notes that Thredit entered into after 31 March 2015. Collectively the convertible notes inject \$1 million in cash. We subsequently increased borrowings to reflect the convertible note liability. These convertible notes will convert to Promesa shares post transaction.

### Note 2: Intangible asset

The HKD\$1 value of Thredit's intangible asset is not reflective of the fair value of the Thred app or the cash expended on its development by Key. We have removed this value from our NAV of Thredit as we believe the future economic benefits of the Thred app cannot be valued at this early stage of development. We understand that Thredit will revalue the intangible asset once the software is launched to consumers.

### Note 3: Accruals

We note our valuation of Thredit assumes an exchange rate of AU\$1 : HKD\$ 5.986, which is based on the average exchange rate observed over the one month up to 30 June 2015.

## 11.2 Value of Promesa following the Transaction

The value of Promesa following the Transaction is reflected in our valuation below:

NAV following the Transaction	Notes	Low value \$	Preferred value \$	High value \$
NAV of Promesa prior to the Transaction	Ref 10.1	(1,437,294)	(1,407,294)	(1,377,294)
Adjustments to NAV of Promesa	1	1,000,000	1,000,000	1,000,000
NAV of Thredit	Ref 11.1	(8,352)	(8,352)	(8,352)
Adjustments to NAV of Thredit	2	1,000,000	1,000,000	1,000,000
Net cash raised from Capital Raising	3	4,441,937	4,441,937	9,136,937
<b>Value of Promesa following the transaction</b>		<b>4,996,291</b>	<b>5,026,291</b>	<b>9,751,291</b>
Discount for minority interest	4	20%	19%	17%
<b>Value of Promesa following the transaction (minority interest basis)</b>		<b>3,997,033</b>	<b>4,086,416</b>	<b>8,126,076</b>
Number of shares on issue post Transaction	5	697,353,117	697,353,117	797,353,117
<b>Value per share (\$)</b>		<b>0.005732</b>	<b>0.005860</b>	<b>0.010191</b>
<b>Value per share (cents)</b>		<b>0.573</b>	<b>0.586</b>	<b>1.019</b>

Source: BDO analysis

### Note 1: Adjustments to the NAV of Promesa following the Transaction

As previously detailed in section 10.1 of our Report, Promesa recently entered into a secured convertible loan agreement with various holders pursuant to which \$1 million in cash was raised. Prior to the Transaction, the conversion feature of the loan is subject to Shareholder approval. Subsequent to the Transaction it is likely the liability associated with the Promesa Convertible Loans will be extinguished by the issue of shares largely due to the short repayment period of the loan post the Transaction. As such, we have assumed the Promesa Convertible Loans will convert to shares post the Transaction.

We have made the corresponding increase in shares in note 5 below and have adjusted the net assets of Promesa to remove the \$1 million liability.

Additionally, we note that Promesa has determined to either sell or relinquish its mineral assets. We have not adjusted our value to remove the mineral assets of Promesa on the basis that we consider that Promesa is likely to be able to sell these assets at the market values which have been provided by Agricola.

### Note 2: Adjustments to the NAV of Thredit following the Transaction

As per note 1 above, we have also adjusted the net assets of Thredit to reflect the conversion of its convertible notes to Promesa shares. Promesa has advised that the Thredit convertible notes will convert to ordinary Promesa shares immediately upon settlement of the Transaction. \$500,000 of the Thredit convertible notes will convert at a post consolidation price of \$0.025 and the remaining \$500,000 will convert at \$0.04. As such, we believe these notes will also be extinguished by the issue of Promesa shares. We have adjusted the number of shares on issue post the Transaction to reflect this conversion.

### Note 3: Cash raised from the Capital Raising

We have included a value adjustment to the Post-Transaction value of Promesa to take into account the funds raised (net of costs) from the Capital Raising. The net cash proceeds from the Capital Raising are as detailed in the table below.

Cash raised from Capital Raising	Minimum Subscription	Full Subscription
Number of shares to be issued	100,000,000	200,000,000
Issue price of shares (\$)	0.05	0.05
<b>Cash raised from Capital Raising (\$)</b>	<b>5,000,000</b>	<b>10,000,000</b>
Less: costs to the offer (\$)	(558,063)	(863,063)
<b>Net cash proceeds from Capital Raising (\$)</b>	<b>4,441,937</b>	<b>9,136,937</b>

Source: BDO analysis

We have valued the Company post the Transaction on a fully subscribed basis (representing the Full Subscription scenario) and on a minimum subscription basis (representing the Minimum Subscription scenario).

We note the Capital Raising may reach a subscription level anywhere in between these two scenarios however, based on the information presently available as at the date of our Report, we consider that we do not have sufficient reasonable grounds to assume the Capital Raising will be fully subscribed. As such, for the purposes of our low and preferred valuations, we have assumed that the minimum Capital Raising of \$5 million will be subscribed. Our high valuation is based on a fully subscribed Capital Raising to demonstrate the potential value of Promesa should the Capital Raising be fully subscribed.

#### Note 4: Application of minority discount

The net asset value of a Promesa share following the Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the Company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Transaction is approved, Shareholders may become minority interest shareholders in Promesa as Key may hold a controlling interest. As such, Shareholders interests will not be considered significant enough to have an individual influence in the operations and value of the Company.

We have therefore adjusted our valuation of a Promesa share following the Transaction, to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula  $1 - (1 \div (1 + \text{control premium}))$ . As discussed in section 10.2, we consider an appropriate control premium for Promesa to be in the range of 20% to 25%, giving a minority interest discount in the range of 17% to 20%.

#### Note 5: Shares on issue Post-Transaction

A summary of the share movements is detailed below:



Shares on issue following the Transaction	Minimum	Maximum
Current number of shares on issue prior to the Transaction	480,515,581	
<b>Conversion ratio (5:1)</b>	<b>5</b>	
Current number of shares on issue post consolidation	96,103,117	
Issue of Consideration Shares	250,000,000	
Shares issued to Armada Capital	12,500,000	
Shares issued to Dean Banister	6,250,000	
Issue of Shares on conversion of Series A Convertible Notes	20,000,000	
Issue of Shares on conversion of Series B Convertible Notes	12,500,000	
Issue of Shares on conversion of Promesa Convertible Notes	200,000,000	
Shares issued in Capital Raising	100,000,000	200,000,000
<b>Total shares on issue following the Transaction</b>	<b>697,353,117</b>	<b>797,353,117</b>

Source: BDO analysis

We have valued the Company post the Transaction on a fully subscribed basis (representing the maximum Subscription scenario) and on a minimum subscription basis (representing the Minimum Subscription scenario). We have used the minimum subscription scenario in our low and preferred valuations as we do not have sufficient reasonable grounds to assume the Capital Raising will be fully subscribed based on the information presently available at the date of our Report. We applied the maximum subscription scenario to our high valuation.

We have not determined the value on a fully diluted basis. At present, there is limited available information and certainty around the future performance and ability of Promesa to achieve the following performance shares milestones and option conditions:

- vesting of 140 million Performance Shares to Key;
- vesting of 7 million Armada Performance Shares issued to Armada;
- exercise of 100 million Armada Options issued to Armada; and
- exercise of any other options as outlined in section 5 of our Report.

We consider this is appropriate given that, as at the date of our Report and after taking into account the issue price of the Capital Raising, the Armada Options and all other outstanding options are all out-of-the-money.

## 12. Is the Transaction fair?

The value of a Promesa share prior to the Transaction on a controlling interest basis is compared to the value of a Promesa share following completion of the Transaction on a minority interest basis below:

	Ref	Low cents	Preferred cents	High cents
Value of a Promesa share prior to the Transaction on a control basis	10.1	Nil	Nil	Nil
Value of a Promesa share following the Transaction on a minority basis	11.2	0.573	0.586	1.019

We note from the table above that the value of a Promesa share following the Transaction on a minority basis is higher than the value of a Promesa share prior to the Transaction on a control basis. Therefore, we consider that the Transaction is fair.

## 13. Is the Transaction reasonable?

### 13.1 Alternative Proposal

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

In particular we have been advised that Promesa has investigated other opportunities to invest in information technology businesses, however, these efforts had not yielded any alternative targets of a suitable nature.

### 13.2 Practical Level of Control

If the Transaction is approved then Key will have an initial relevant interest ranging between 41.85% to 60.53% in Promesa (assuming that the Promesa Convertible Loans are not converted). In addition to this and as part of the Transaction, Promesa's existing board will predominantly be replaced.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. Key will not be able to pass special resolutions but can block special resolutions and potentially pass general resolutions depending on the capital raising scenario if the Transaction is approved.

Promesa's Board currently comprises of three directors. As part of the Transaction, Mr Timothy Wise will cease as a director, and three new directors will be appointed to the Board. The new board will consist of:

- Mr Solomon Majteles (existing Non-Executive Chairman of Promesa);
- Mr Ananda Kathiravelu (existing Executive Director of Promesa);
- Mr David Whitaker (proposed director and current director of Key);
- Mr Chris Jones (proposed director from Thredit); and
- Mr Chris Adams (proposed director).

This means that the proposed directors associated with Key and Thredit will make up the majority of the Board. Additionally, assuming the issue of shares on the vesting of the Performance Shares, Key will have a maximum relevant interest ranging between 52.39% to 60.53% (assuming that the Promesa Convertible Loans are not converted). In this case, if the Transaction is approved Key will be able to block general and special resolutions and pass general resolutions.

Key's control of Promesa following the Transaction will be significant when compared to all other shareholders. However, with an initial shareholding of between 41.85% to 60.53% in Promesa (assuming that the Promesa Convertible Loans are not converted) and the majority of the Board, (including the directors of Thredit) Key will not have 100% control at the shareholder and Board levels. Therefore in our opinion, while Key will be able to significantly influence the activities of Promesa, it will not be able to exercise similar level of control as if it held 100% of Promesa.

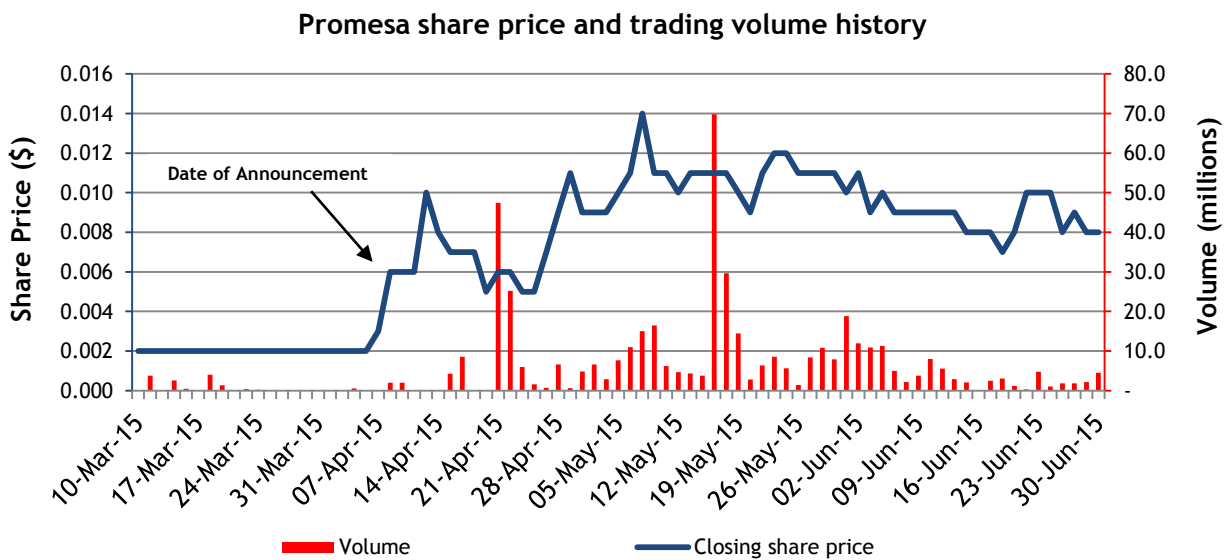
### 13.3 Consequences of not Approving the Transaction

#### Consequences

If the Transaction is not approved, Promesa will retain its existing operations. As such, the Directors of Promesa would need to consider funding alternatives to further develop its exploration assets and continue as a going concern.

#### Potential decline in share price

We have analysed movements in Promesa’s share price after the Transaction was announced. A graph of Promesa’s share price after the announcement is set out below.



Source: Bloomberg

As illustrated by the graph above, following the announcement on 13 April 2015 there has been an increase in both share price and volume of shares traded. Specifically, the VWAP from 13 April 2015 to 30 June 2015 is approximately 1.509 cents. We note this is significantly higher than our quoted market price range of 0.3 to 0.4 cents (before applying a control premium) as assessed in section 10.2. Given the above, it is likely the Transaction is not approved by Shareholders then Promesa’s share price may decline back to pre-announcement level.

### 13.4 Advantages of Approving the Transaction

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

Advantage	Description
The Transaction is fair	As set out in Section 12, the Transaction is fair. RG 111 states that an offer is reasonable if it is fair.
Shareholders of Promesa will own shares in a company with a greater potential to generate a return for Shareholders	<p>Promesa is presently a company involved in mining exploration. As such, if the Transaction is approved, the Company will need to seek approval to change the nature and scale of its activities.</p> <p>If the Transaction is approved by Shareholders, Promesa will acquire a business operating in the mobile application development industry with potential growth and derive revenues in the future. If Thred is successfully commercialised, the Company's shares will have the potential for capital growth, and additionally subject to the discretion of directors of the Company at that time, Shareholders may also benefit from the payment of dividends.</p>
Liquidity of Promesa's shares may increase	<p>We have analysed the trading of Promesa's shares in the twelve-month period to 10 April 2015 and note that over this period, only 69% of the Company's issued capital had been traded. This is a moderate level of liquidity and makes it difficult for Shareholders who wish to buy or sell shares in the Company.</p> <p>Noting the increased liquidity in Promesa's shares following the announcement of the Transaction, as well as the increased number of shares which will be on issue following the Transaction, we consider it is likely that the level of liquidity for Promesa's shares will increase if the Transaction is approved. We note that increased liquidity will benefit Shareholders as it will improve their ability to trade Promesa shares.</p>
Changing the nature and scale of Promesa could attract new investors	Changing the business operations of Promesa could attract new investors who are more specifically interested in technology based investments, this additional interest may also allow the Company to more readily raise additional working capital when required.
The Transaction provides the Company with a cash injection	<p>We note that for the year ended 30 June 2014 and the half year ended 31 December 2014, the Company's auditor issued an emphasis of matter outlining the existence of material uncertainty in relation to the Company's ability to continue as a going concern if it is unable to seek additional funding.</p> <p>As a result of the Capital Raising, the Company will receive a cash injection of between \$5m and \$10m (before costs). These funds are likely to provide Promesa with sufficient funding for business development and working capital requirements for the near term future.</p>
Experienced management team	If the Transaction is approved, Promesa's Board will be restructured such that the

and Board of Directors

proposed Board of Promesa will comprise of:

- Mr Solomon Majteles;

Mr. Majteles graduated in law from the University of Western Australia and has been in private legal practice since 1972. He has over 35 years' experience in business, corporate, property and commercial law and practise. He is a Fellow of the Australian Institute of Company Directors, a member of the Property Council of Australia and has been a member of the Law Society/REIWA General Conditions for Sale of Land Permanent Committee since 1990. Mr. Majteles has been a director of various private and ASX listed companies for more than 25 years and is currently non-executive chairman of ASX listed company Metals Australia Limited and a non-executive director of ASX listed Power Resources Limited, Prime Minerals Limited and Blaze International Limited.

- Mr Ananda Kathiravelu;

Mr. Kathiravelu is an experienced corporate adviser who has worked in the financial services funds management and stockbroking industries for over 20 years. He is a Director of Armada Capital Limited, Chairman of Potash Minerals Ltd and Non-Executive Director of Radar Iron Ltd. His areas of expertise include corporate advice, capital raising and mergers and acquisitions.

- Mr David Whitaker;

Mr. Whitaker is a technology entrepreneur with experience in developing digital businesses. He has founded and built companies ranging from mobile applications to group buying to digital agencies. Mr. Whitaker's ability to rapidly grow teams for fast progression and establish strategic partnerships for early startup companies has made him a sought after specialist for companies expanding into the Asian market. He has provided strategic counsel to brands such as SAB Miller, Yahoo and Macquarie Bank.

- Mr Chris Jones; and

Mr. Jones is one of Australia's leading experts in app marketing and user acquisition. Mr. Jones has consulted to hundreds of app marketers and developers including Microsoft, Cheetah Mobile, Visual Supply Co and many others. He has experience in both large brands and startups and has held management roles with Boost Mobile, Mattel & Virgin Mobile Australia plus several Australian based startups. Mr. Jones is a graduate of The Kellogg School of Management at Northwestern University.

- Mr Chris Adams:

Mr. Adams is an internationally recognised digital strategist, social media pioneer, advisor and technology executive with over 20 years' experience in accelerating businesses. He was responsible for integrating video onto Facebook's platform back in 2006 and also played a key role for Facebook in the creation and production of the acclaimed reality TV series 'Facebook Diaries'.

Mr. Adams served as Senior Vice President of Business Development and Chief Vision

Officer for Participant Media and was involved in its first slate of movies including: An Inconvenient Truth, Syriana, Charlie Wilson's War, North Country, Good Night, And Good Luck and Kite Runner. He assisted Comcast Cable & Interactive to secure sponsorship for its VOD platform and led entertainment business development for both Amazon and Lycos and until recently, he served as CEO and Executive Director of video streaming and syndication company Spondo.com.

He is on the Advisory Boards of companies Manalto, (ASX Code: MTL), Spiral Toys (OTCBB:STOY) VoiceByte and Impact Academy. He is also an award-winning children's author, with his next book narrated by Hugh Jackman scheduled for publication in early 2016, with the proceeds benefiting The Global Poverty Project and World Vision Australia.

We consider the skill set of each member will provide the Company with the opportunity to operate in the mobile application development space and generate positive returns for Shareholders.

Performance Rights provide an incentive to increase Promesa's value

The following milestones will need to be accomplished in order for 140 million Performance Rights issued to Key and 7 million Performance Rights issued to Armada to be exercised:

- 31.5 million performance shares which convert to ordinary shares on the launch of the Thred mobile phone app (with functionality including message centre, Thred creation, link and image sharing, social profile collaboration and micro-threds), within a period of 90 days from the date of completion of the Capital Raising;
- 42 million performance shares which convert to ordinary shares upon 250,000 downloads of the Thred mobile phone app being completed within a period of 90 days from the completion of Milestone 1;
- 42 million performance shares which convert to ordinary shares upon the Company updating the Thred mobile phone app to incorporate an artificial intelligence ('AI') engine within a period of 180 days from the completion of the Capital Raising with the AI engine having minimum functionality consistent with the following:
  - the AI engine learns the preferences of the users and their message partners;
  - the AI engine then predictively suggests matches when the users are creating new threds;
  - suggested matches will include potential recipients who, through their own choices, have been profiled as having similar interests as the thred creator; and
  - the AI engine will suggest recipients only from the users own connected social groups.
- 31.5 million performance shares which convert to ordinary shares upon one

million downloads of the Thred mobile phone app being completed within a period of 360 days from the completion of the Capital Raising.

The structure of the consideration with the issue of Performance Shares provides an incentive for Key to meet the milestones listed above. This is beneficial for Shareholders noting that, if the milestones are achieved, although Shareholders will be further diluted, Shareholders are likely to benefit from the capital growth associated with the successful operations of the Company.

Alignment of Key's interests to Shareholders' interests

As part of the consideration of the Transaction, Key will receive 250 million shares in Promesa. Subject to the subscription levels of the Capital Raising, Key will have a relevant interest of between 41.85% and 60.53% of the issued capital in Promesa following the Transaction (assuming the Promesa Convertible Loans do not convert).

We consider that given Key will hold a sizeable investment in the Company it will be in the best interests of Key to aid in growing the Company and earning a return of its investment. In our view, this means that the interests of Key are aligned to those of Shareholders.

### 13.5 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing Shareholders' interests	<p>As set out in section 4, if the Transaction is approved, Shareholders' interests in Promesa may be diluted in the worst case from 100% to 12.91% (assuming the Promesa Convertible Loans do not convert). We note this assumes the Capital Raising is fully subscribed, and the Performance Shares and Armada Performance Shares have vested.</p> <p>This dilution will significantly reduce the capacity for Shareholders' to influence the operations of the Company.</p>
Exposure to the development stage risks associated with Thredit	<p>If the Transaction is approved, the Company will acquire Thredit and its existing operations and therefore change the nature of the Company's activities. Thredit operates in a different sector to that of Promesa. This means that Shareholders will be exposed to the sector and business risk profile that Thredit operates in.</p> <p>We note that Thredit has only just recently completed alpha stage development, and is now in beta stage development. Nonetheless there is no certainty around the potential use and commerciality of the mobile application. This means that there are significant risks associated with the acquisition of Thredit.</p>

Change in the nature and scale of Promesa's activities may not align with Shareholders' investment objectives

Promesa currently holds exploration tenements. If the Transaction is approved, the nature and scale of its activities will change to consist of Thredit's business. This change may not be consistent with the objectives and risk profiles of the Shareholders.

## 14. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to the Shareholders.

In particular, the Transaction is fair because the value of a Promesa share following completion of the Transaction on a minority interest basis is greater than a Promesa share prior to completion of the Transaction on a controlling interest basis.

## 15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Promesa for the years ended 30 June 2014 and 30 June 2013 and reviewed financial statements for the half year ended 31 December 2014;
- Audited financial statements of Thredit for the financial period from 24 March 2015 to 31 March 2015;
- Independent Valuation Report of Promesa's mineral assets performed by Agricola dated on or about the date of this report;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Promesa and Thredit.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$28,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of our report.

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

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

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Promesa, or their associates, other than in connection with the preparation of this report.





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

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## **17. Qualifications**

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

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

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

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## **18. Disclaimers and consents**

This report has been prepared at the request of Promesa for inclusion in the Explanatory Memorandum which will be sent to all Promesa Shareholders. Promesa engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider if the Transaction is fair and reasonable to Shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

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

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

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

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

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Promesa.

The valuer engaged for the mineral asset valuation, Agricola, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

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

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**



**Sherif Andrawes**  
Director



**Adam Myers**  
Director

## Appendix 1 - Glossary of Terms

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Reference	Definition
Agricola	Agricola Mining Consultants Pty Ltd
AI	Artificial intelligence
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
Armada	Armada Capital Limited
Armada Options	100 million options issued to Armada as part of the Transaction
Armada Performance Shares	7 million performance shares to be issued to Armada
Armada Shares	12.5 million ordinary shares to be issued to Armada
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BAC	Basic Acquisition Cost
Bannister	Mr Dean Bannister
Bannister Shares	6.25 million ordinary shares to be issued to Bannister
Barrick	Barrick Gold Corporation Limited
BDO	BDO Corporate Finance (WA) Pty Ltd
Capital Raising	Promesa completing a minimum capital raising of \$5 million at a price of \$0.02 per share
Consideration Shares	250 million shares issued by Promesa to Key for the entire issued capital of Thredit
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
Geo-factor rating	Kilburn Geoscience Rating
HOA	Heads of Agreement

JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Key	Key Holdings Limited
Lanstead	Lanstead Capital L.P.
LTE	Long-Term Evolution
Milestone 1	31.5 million performance shares which convert to ordinary shares on the launch of the Thred mobile phone app (with functionality including message centre, Thred creation, link and image sharing, social profile collaboration and micro-threds), within a period of 90 days from the date of completion of the Capital Raising
Milestone 2	42 million performance shares which convert to ordinary shares upon 250,000 downloads of the Thred mobile phone app being completed within a period of 90 days from the completion of Milestone 1
Milestone 3	42 million performance shares which convert to ordinary shares upon the Company updating the Thred mobile phone app to incorporate an artificial intelligence ('AI') engine within a period of 180 days from the completion of the Capital Raising with the AI engine having minimum functionality consistent with the following: <ul style="list-style-type: none"> <li>• the AI engine learns the preferences of the users and their message partners;</li> <li>• the AI engine then predictively suggests matches when the users are creating new threds;</li> <li>• suggested matches will include potential recipients who, through their own choices, have been profiled as having similar interests as the thred creator; and</li> <li>• the AI engine will suggest recipients only from the users own connected social groups.</li> </ul>
Milestone 4	31.5 million performance shares which convert to ordinary shares upon one million downloads of the Thred mobile phone app being completed within a period of 360 days from the completion of the Capital Raising
NAV	Net Asset Value
Oban	Oban S.A.C.
Our Report	This Independent Expert's Report prepared by BDO
Performance shares	Collectively refers to the performance shares issued to Key
Promesa	Promesa Limited
Promesa Convertible Loans	Promesa's \$1,000,000 convertible loan with an interest rate of 1% per month which, subject to shareholder approval, will convert together with accrued interest into Promesa shares at a conversion price of \$0.005 per share (on a post-consolidation basis)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RG 74	Acquisitions Approved by Members



Series A Convertible Notes	Thredit's \$500,000 secured convertible loan with an interest rate of 8% per annum (12% on overdue amounts) which, subject to shareholder approval, will convert together with accrued interest into Promesa shares at a conversion price of \$0.025 per share (on a post-consolidation basis)
Series B Convertible Notes	Thredit's \$500,000 secured convertible loan with an interest rate of 8% per annum (12% on overdue amounts) which, subject to shareholder approval, will convert together with accrued interest into Promesa shares at a conversion price of \$0.04 per share (on a post-consolidation basis)
Shareholders	Shareholders of Promesa not associated with Key
Simon	Simon Nominees
The Act	The Corporations Act
The Company	Promesa Limited
The Transaction	The proposal to issue 250 million shares and 140 million performance rights in Promesa to the vendors of Key
Thredit	Thredit Limited
TIL	Thred Innovations Limited
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price



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The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

## Appendix 2 - Valuation Methodologies

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

### 1 *Net asset value ('NAV')*

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

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

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

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

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

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

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

### 2 *Quoted Market Price Basis ('QMP')*

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

### 3 *Capitalisation of future maintainable earnings ('FME')*

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

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

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

#### **4 Discounted future cash flows ('DCF')**

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

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

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

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

#### **5 Market Based Assessment**

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

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## Appendix 3 - Independent Valuation Report by Agricola

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Email: mcastle@castleconsulting.com.au  
ABN: 84 274 218 871

22 July 2015

The Directors  
Promesa Limited  
Level 28, 140 St George's Terrace,  
Perth, WA, 6000

Dear Sirs,

**Re: INDEPENDENT VALUATION OF MINERAL PROPERTIES in PERU HELD BY  
PROMESA LIMITED**

We have been commissioned to provide a Mineral Asset Valuation Report ("Report") on the Mineral Assets in Peru held by Promesa Limited (the "Company"). This report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the exploration assets based on the information in this Report.

The status of the tenements has been verified by me pursuant to paragraph 67 of the VALMIN Code by reference to a Tenure Verification Letter dated 8 June 2015 prepared by Estudio Egusquiza, an independent legal firm based in Lima, Peru. The Company provided updates to the current tenement situation in July 2015. The present status of the tenements in Peru is based on information made available by the Company and released to the ASX as part of its reporting requirements. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

***Scope of the Valuation Report***

Agricola Mining Consultants Pty Ltd ("Agricola") prepared this Report. In the preparation of the Report, Agricola utilised information relating to operational methods and expectations provided to them by various sources. Where possible, Agricola has verified this information from independent sources. This Report has been prepared for the purpose of providing information to shareholders but Directors of Agricola accept no liability for any losses arising from reliance upon the information presented in this Report.

This mineral asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

This is commonly known as the *Spencer test* after the Australian High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value of a property. In attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is assumed that the property will be put to its “highest and best use”.

The findings of the valuation report include an assessment of the technical value (i.e. the value implied by a consideration of the technical attributes of the asset) and a market value (which considers the influences of external market forces and risk).

Applying the *Spencer test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during ‘boom’ conditions or a depressed market during ‘bust’ conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with the current market for mineral properties.

The main requirements of the *Valuation Report* are:

- Prepared in accordance with the VALMIN code.
- Experience and qualifications of key personnel to be set out
- Details of valuation methodologies
- Reasoning for the selection of the valuation approach adopted
- Details of the valuation calculations
- Conclusion on value as a range with a preferred value

## **DECLARATIONS**

### ***Relevant codes and guidelines***

This report has been prepared as a technical assessment and valuation in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the “VALMIN Code”, 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the Australian Securities and Investments Commission (“ASIC”) and the ASX Limited (“ASX”) which pertain to Independent Expert Reports (*Regulatory Guides RG111 and RG112, March 2011*).

Where mineral resources have been referred to in this report, the information was prepared and first disclosed under the *“Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”)*, prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia 2012. Some of the information has not been updated since the estimation date to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Under the definition provided by the VALMIN Code, two of the properties are classified as ‘advanced exploration areas’ with identified mineral resources, which is inherently speculative in nature. The properties are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of its economic potential.

### ***Sources of Information***

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to the Company, along with a written request to identify any material errors or omissions prior to lodgement.

In compiling this report, I did not carry out a site visit to any of the Company’s Project areas. Based on my professional knowledge, experience, previous visits to the general area and the availability of extensive databases, an earlier Independent Geologist’s Report for the Company by Agricola and technical reports made available by various Government Agencies, I consider that sufficient current information was available to allow an informed appraisal to be made without such a visit.

The independent valuation report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

### ***Qualifications and Experience***

The person responsible for the preparation of this report is:

*Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM*

**Malcolm Castle** has over 45 years’ experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company over 25 years ago and specialises in exploration management, technical Audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical Audits in many countries. He has completed numerous Independent Geologist’s Reports and mineral asset valuations over the last decade as part of his consulting business.

Mr Castle is a qualified and competent witness in a court or tribunal capable of supporting his valuation reports or to give evidence of his opinion of market value issues.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies

with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

### ***Competent Persons Statement***

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle who is a member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

### ***Independence***

I am not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the Projects or the Company. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates of \$6,000 plus GST and the payment of these fees is in no way contingent on the results of this Report.

### ***Valuation Opinion***

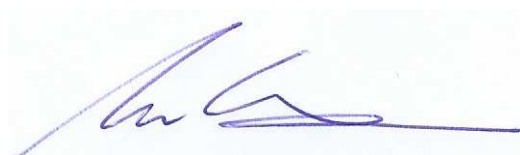
*The Market Value is estimated for 100% equity in the Projects*

*Based on an assessment of the factors involved the estimate of the market value of the Projects in Peru held by Promesa Limited is in the range of A\$0.17 million to A\$0.23 million with a preferred value of A\$0.20 million.*

*This valuation is effective on 22 June 2015.*

The Company has an Option to Purchase 100% of the Aurifera Chorobal Concession in the Alumbre Project. A payment of US\$460,000 is required prior to April 14, 2018 for a total of US\$500,000. The concession covers approximately 8.0km<sup>2</sup> of the total 9.9km<sup>2</sup>. This decision will be influenced by future exploration results.

Yours faithfully



***Malcolm Castle***

B.Sc.(Hons) MAusIMM,

GCertAppFin (Sec Inst)

## TENEMENT SCHEDULE

Project	Holder	Location	Ha	Status
Alumbre	Peru Mineral A.A.C	La Libertad, Peru	985.82	Granted
Quinual	PEGOSO S.A.C.	Huancavelica, Peru	1,000.00	Granted
Huajoropampa	PEGOSO S.A.C.	Huajoropampa, Peru	1,000.00	Granted
Yarpun	PEGOSO S.A.C.	Ancash, Peru	100.00	Granted
Olleros	PEGOSO S.A.C.	Ancash, Peru	1,900.00	Granted
Genex	Peru Mineral S.A.C	Ancash, Peru	600.00	Application
Total			5628.82	

The Alumbre Project (Peru Minerals SAC) Concessions are Gaya 104 (100% Peru Minerals) and Aurifera Chorobal (Option to Purchase 100%). The Company has an option to purchase the second concession. A payment of US\$460,000 is required prior to April 14, 2018 for a total of US\$500,000.

The Generative Exploration (Genex) tenement is under Application. There are 10 other applicants for the same concession area lodged on the same day as the Company's application and will be auctioned sometime in the future.

The status of the tenements has been verified by me, pursuant to paragraph 67 of the Valmin Code by reference to a Tenure Verification letter dated 8 June 2015 prepared by Estudio Egusquiza, an independent legal firm based in Lima, Peru. The Company provided updates on the current tenement situation in July 2015. The tenements are believed to be in good standing at the date of this valuation as represented by the Company. Some future events such as the grant (or otherwise) of expenditure exemptions and plaintiff action may impact of the valuation and may give grounds for a reassessment.

## PROJECT REVIEW

Promesa is a Perth based ASX listed Company, with a portfolio of exploration properties in Peru focused on precious and base metal commodities. Peru is one of the world's most attractive areas to explore for massive size, low cost gold and base metal deposits. The Company's exploration program is seeking large tonnage and low cost mineral deposits.



### **Alumbre Project**

The project is located 70km southeast of the major city of Trujillo, in the north of Peru and is serviced by the nearby Pan Americana Highway with good infrastructure to the project area. The area comprises 2 concessions covering approximately 986 Ha (9.9 square kilometres).

The concessions are located in a regional corridor of world class gold and copper mines, with characteristics similar to El Galeno, Conga and Tantahuatay.. The Alumbre Project is a potential Au-Cu-Mo porphyry and epithermal Au mineralisation system. The area has both high sulphidation mineralisation at Alumbre and outcropping low sulphidation epithermal vein mineralisation located on the boundary.

Newmont Mining Corporation carried out regional exploration in the area and explored the concessions in 1994. Between 1995 and 1998 Savage Resources Limited (“Savage”) (Pascimco Limited acquired Savage in 1999) undertook a significant exploration program, which included stream sediment and rock chip sampling, geological mapping, geophysical studies and drill program.

In early 2013 results of a 22 kilometre induced polarisation (IP) geophysics program at Alumbre produced a strong chargeability anomaly extending from near surface to below the modelled 600m depth. The IP anomaly identified by Promesa is located approximately 500m southeast of Savage



Resources drill hole CJK-1 which returned 110m at 0.12g/t Au (including 8m at 0.50g/t Au).

The IP anomaly is approximately 700m wide and 1500m long with a large chargeable volume and is open at depth. The chargeability anomaly has a size and intensity commensurate with what would be expected from a medium to large sized mineralised porphyry system.

Following the geophysics program, a detailed geological mapping and geochemical sampling program was undertaken and completed during April 2013. Detailed mapping on the concessions has shown several intrusive units partially overlain by volcanic tuffs.

The Company completed nine diamond core drilling program for a total of 4,380m. Five drillholes were completed initially with a further four drillholes following positive assay results and geological observations during the first round of drilling. Drill results show generally continuous low grade copper mineralization with a general increase in copper grades at elevations of 600m to 700m in most drillholes.

<b>ALDD14009</b>	<b>Au (ppm)</b>	<b>Cu (ppm)</b>	<b>Mo (ppm)</b>
<b>Average hole abundance</b>	<b>0.06</b>	<b>179</b>	<b>36</b>
<b>Hole maximum</b>	<b>7.190</b>	<b>1446</b>	<b>677</b>
<b>Hole minimum</b>	<b>0.001</b>	<b>1.6</b>	<b>6</b>

Maximum, minimum and average gold copper and molybdenum values from ALDD14009

### **Quinual Project**

The Quinual concession is located in the Western Cordillera of the northern Peruvian Andes and about 71 km to the southeast of Trujillo, in the department of Huancavelica. The area comprises 1 concession covering approximately 1000 Ha (10.0 square kilometres).

There is potential for a high-sulphidation epithermal Au-Ag deposit related to Cu-Au-Mo porphyry mineralisation at depth. The alteration covers a large epithermal hydrothermal centre area of 2.5 x 1.0km.

Field samples show high values in As (30,200 ppm), Sb (1849 ppm), Hg (22 ppm) and outlier values of Au (63ppb), Ag (14 ppm), Cu (186ppm) and Mo (181 ppm). Deep geophysics program has recently been completed which outlines the potential porphyry deposit on the concession.

### **Huajoropampa Project**

The Huajoropampa concession is located in central Peru, in the Huancavelica Department. The concession is 1000Ha (10.0 square kilometres) at an altitude of 4000m ASL and is 305km from Lima. The earliest documented work on the Huajoropampa area was by Pasminco in 2001 and Teck 2007-09. Pasminco focused on the Santa Rita occurrence 2 km SE of the concession and collected approximately 40 samples. Teck executed greenfield surface geological studies within the regional area and several junior exploration companies have undertaken small scale sampling within the project area. No historical geophysics or drilling has been completed on the Project.

The Project is largely covered by Quaternary Sediments which overlie Cretaceous Jumasha Formation shelf limestones. Lead – zinc mineralization occurs in breccias, skarn replacement and within structures. Skarn-type polymetallic Pb-Zn-Ag mineralization occurs within an area of 1.0 x 2.0 km hosted by dolomite breccias and vein structures. The project is similar to Santa Rita located in Huancavelica, Peru (7.4g/t Ag, 13% Pb and 9% Zn). The alteration minerals are barite, calcite and garnet. The sulphide minerals are galena, sphalerite and various Ag sulphosalts. The Huajoropampa prospect is adjacent to a Minera IRL concession.

Sampling by the Company returned 0.02% Zn and 0.05% Pb. Outside of the concession, grades up to 1% Zn and 1% Pb have been returned in samples collected by the Company.

### **Yarpun Project**

The Yarpun concession is located in central Peru, in the Ancash Department. The Company announced on 12th April 2012 that it had entered into an option agreement to acquire the Yarpun Concession with an area of 100 Ha (1.0 square kilometres). The Option to Purchase Agreement was exercised in June 2013. No historical geophysics or drilling has been completed on the project.

Zn-Pb-Ag and Au mineralisation, and iron oxide quartz veins with Au-Ag mineralisation have been noted. The veins are up to 300 meters in length with a width of up to 3m. The project is a small strategic holding adjacent to BHP Billiton's concessions. Field samples show high values in As (30,200 ppm), Sb (1849 ppm), Hg (22 ppm) and outlier values of Au (63ppb), Ag (14 ppm), Cu (186ppm) and Mo (181 ppm), which are all significant pathfinder minerals.

### **Olleros Project**

The Olleros concessions are located in the central Andes of Peru near Huaraz and Recuay in the Ancash Department. Work conducted included geochemical, geophysical and diamond drilling by several mining companies including Barrick, IRL Peru, Teck and Meridian. The Olleros Project comprises 3 concessions covering 1900 Ha (19 square kilometres) and includes several alteration zones in an area of 12 x 6 km.

Olleros is in the same geological, structural and metallogenic corridor as Barrick's Pierina Gold Mine, which is a low cost, multimillion ounce production operation. The alteration zones demonstrate potential for epithermal and porphyry occurrences hosted by Calipuy Group pyroclastic rocks and dacitic porphyry of Tertiary age that are prospective hosts of epithermal Au-Ag and porphyry Cu deposits.

### **Generative Exploration**

The Generative Exploration (Genex) tenement is under Application. There are 10 other applicants for the same concession area lodged on the same day as the Company's application. It will thus go to auction in the future.

The area comprises 1 concession covering approximately 600 Ha (6.0 square kilometres) and is located 160 km north of the Olleros Project in Ancash. It is surrounded by the concessions of Anglo American, Peñoles and Magistral.

## VALUATION ASSESSMENT

The projects in Peru are classed as exploration projects. Several methods of valuation are available for such projects where a Mineral Resource has not yet been estimated in accordance with the JORC code. These include the use of valuations based on past exploration expenditure and valuations based on perceived prospectivity.

Exploration projects can be extremely variable and the use of comparable transactions is unlikely to produce a statistical spread of values for “similar” projects. This method can be used where a Mineral Resource has been estimated. The *Prospectivity Exploration Multiplier (PEM)* is based on past expenditure while the Kilburn Geoscience Rating (*Geo-factor Rating*) is based on opinions of the prospectivity hence tenements can have marked variation in value between the methods.

The ‘Geo-factor Rating’ method of valuation for exploration tenements is the preferred valuation method for the Company’s current tenements as it focuses on the future prospectivity of the area.

The Geo-factor Rating method systematically assesses four key technical attributes of a tenement to arrive at a series of factors that are multiplied together to produce a prospectivity rating. The Basic Acquisition Cost (BAC) is the important input to the method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc) and statutory expenditure for a period of 12 months. This is usually expressed as average expenditure per square kilometre. Equity and grant status are also taken into account. Each factor then multiplied serially to the BAC. The ‘Base Value’ is multiplied by the prospectivity rating to establish the overall technical value of each mineral property.

## GEO-FACTOR RATING METHOD – EXPLORATION POTENTIAL

### BASE VALUE

This represents the exploration cost for the current period of the tenements. The current Base Acquisition Cost (BAC) for exploration projects or tenements at a similar stage is the average expenditure for the first year of the licence tenure. This is considered to be a **BAC of AU\$400 to AU\$450 per square kilometre.**

The BAC was originally based on calculations of exploration expenditures and other costs for Western Australia. Agricola’s experience has confirmed this range to be appropriate for other parts of the world where exploration or valuations have been carried out.

Many overseas jurisdictions such as Peru do not specify a minimum expenditure commitment but require that sufficient work be completed in the first year to allow granting of the tenement into the second year. This usually requires preparation of a report with results of exploration carried out. For example with a grass roots portfolio the size of Promesa's in the first year the expenditure (BAC) would be \$140,000 to \$160,000 which is appropriate for early work of desktop studies, field visits rock chip sampling and general research. Agricola believes an Australian company would consider this reasonable for the first phase of work in any country.

A company may well choose to spend more than that and budgets of \$0.5 to \$1.0 million are not uncommon but these budgets are usually based on significant previous encouragement such as scout drilling, aeromagnetic targets etc. The BAC is designed for grass roots projects where no earlier work is available and only regional selection information is available.

Where the Company in earlier work programs has received encouragement from earlier work then that aspect is addressed in the geofactors, which tend to upgrade the BAC based on earlier results and perceived prospectivity.

The assessment of value is based on the equity and status at November 2012 for the various tenements as shown in the following table.

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

<b>PROMESA LIMITED</b>		<b>Tenement Factors</b>		
<b>Project</b>	<b>Equity</b>	<b>Km2</b>	<b>Status</b>	<b>Grant</b>
<b>Peru Exploration Tenements</b>				
Alumbre	100%	9.86	Granted	100%
Quinual	100%	10.00	Granted	100%
Huajoropampa	100%	10.00	Granted	100%
Yarpun	100%	1.00	Granted	100%
Olleros	100%	19.99	Granted	100%
Genex	100%	6.00	Application	10%

### Prospectivity Assessment Factors

An assessment of the prospectivity of tenements was carried out. This includes a consideration of

- Regional mineralisation, old and current workings and the validity of conceptual models.
- Local mineralisation within the tenements and the application of conceptual models within the tenements.
- Identified anomalies warranting follow up within the tenements.
- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

	Rating	Address - Off Property	Mineralisation - On Property	Anomalies	Geology
<b>Low</b>	0.5	Very little chance of mineralisation, Concept unsuitable to environment	Very little chance of mineralisation, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Unfavourable lithology over >75% of the tenement
<b>Average</b>	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional	Deep alluvium Covered favourable geology (40-

				targets	50%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
<b>High</b>	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (80 - 100%)

Assessments in each category are based on a set scale (see above and Appendix 1) and are multiplied together to arrive at a “prospectivity index.

$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

PROMESA LIMITED Project	Prospectivity Factors								
	Off Site		On Site		Anomaly		Geology		
	Low	High	Low	High	Low	High	Low	High	
Peru Exploration Tenements									
Alumbre	2.20	2.30	2.20	2.30	2.25	2.35	2.00	2.10	
Quinual	2.20	2.30	1.50	1.60	1.50	1.60	2.00	2.10	
Huajoropampa	2.20	2.30	1.50	1.60	1.50	1.60	2.00	2.10	
Yarpun	2.20	2.30	1.50	1.60	1.25	1.35	2.00	2.10	
Olleros	2.20	2.30	1.50	1.60	1.25	1.35	2.00	2.10	
Genex	2.20	2.30	1.50	1.60	1.25	1.35	2.00	2.10	

## TECHNICAL VALUE

An estimate of technical value has been compiled for the tenements based on the base acquisition cost, area, grant status, equity and ratings for prospectivity.

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

PROMESA LIMITED Project	Technical Value, A\$M		
	Low	High	Preferred
	Alumbre	0.09	0.12
Quinual	0.04	0.06	0.05
Huajoropampa	0.04	0.06	0.05
Yarpun	0.01	0.01	0.01
Olleros	0.06	0.09	0.08
Genex	0.00	0.00	0.00
<b>TOTAL</b>	<b>0.24</b>	<b>0.33</b>	<b>0.29</b>

*The valuation for the Projects is not date specific and applies through a range of years depending on the exploration carried out and the results received.*

### **Comparison with Yardstick (Rule of Thumb) Method**

Agricola considered a yardstick (Rule-of-Thumb method) is based upon conversion of comparable sales data to a unit area (per km<sup>2</sup> or per ha). A significant database of prior valuations has been compiled over the past few years of exploration projects at the exploration stage (where mineral resources have not yet been estimated. This includes valuations carried out by the 'Prospectivity Enhancement Multiplier' (PEM) method, the geo Factor Method and, in some cases actual sales.

It is probably the most difficult comparative tool to justify. This Method has found greater acceptance in North America, where tenement sizes appear to be smaller and where there are many more transactions forming a deep and liquid market than elsewhere. In addition, dealing in tenements is not discouraged by the mining legislation, especially in the US with its historic focus on property rights. It is used in Canada and Australia, though to a much lesser extent.

The comparison of yardstick and Geo Factor methods below is considered to an adjustment of the main valuation and is displayed as the technical value per square kilometre. Prior expenditures for the tenements in Peru are not available in any meaningful form as much of the work was carried out by prior explorers and would need to be taken into account to use the PEM method effectively. The mix of tenements has changed significantly to produce the current tenement schedule, which adds a complication to ascribing historical expenditure to particular tenements or projects.

On this basis the PEM method was not considered appropriate as a comparative valuation method as set out in Regulatory Guide 111: *Content of expert reports* (RG 111) at RG 111.65 which considers that *"an expert should, where possible, use more than one valuation methodology. We consider that this reduces the risk that the expert's opinion is distorted by its choice of methodology. We also consider that an expert should compare the figures derived from using the different methodologies and comment of any differences."*

Agricola considers that the expectation of future gain is the main driver for mineral asset valuation of exploration projects as it endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the Spencer Test). The Geo Factor rating method addresses this expectation and, in the absence of past exploration expenditure that can be related to individual projects, is the only viable method available.

A review of technical value (which is not influenced by market conditions) of exploration areas carried out by Agricola over the last few years suggests that ground without resources can be categorized as a matter of convenience into four groups:

- Advanced exploration areas located in a well mineralised area near existing mineral deposits with significant potential attract values well above \$2000 per square kilometre

- Exploration areas along strike or structurally related to estimated mineral resources. Such areas attract values in the range \$1200 to \$2000 per square kilometre.
- Exploration areas in known mineral fields. Such areas attract values in the range of \$700 to \$1300 per square kilometre.
- Exploration areas in green fields or early exploration domains remote from mineral resources. Such areas attract values in the range of \$400 to \$800 per square kilometre.

$$\text{Yardstick Value} = \text{Technical Value} / \text{project Area}$$

PROMESA LIMITED	km2	\$ per square km	
		Low	High
Alumbre	9.86	8,720	11,760
Quinual	10.00	4,000	5,600
Huajoropampa	10.00	4,000	5,600
Yarpun	1.00	5,000	5,000
Olleros	19.00	3,310	4,680
Genex	6.00	330	500
<b>TOTAL</b>	<b>56.29</b>	<b>4,290</b>	<b>5,900</b>

Based on the values estimated in this report, the Projects fall in the ranges shown in the table, which are considered to be reasonable based on the high prospectivity of the Peruvian Cordillera.

## MARKET VALUE

In arriving at a fair market value for a particular exploration tenement, I have considered the current market for exploration properties in Australia and overseas. It is considered appropriate to apply a significant discount to the technical value of the exploration potential of the tenements.

Country factors and current market for exploration properties have been considered for Peru. Assessment of Country Risk and the Business Climate has been provided by a specialist firm (source: [www.coface.com](http://www.coface.com)). The rating for Peru is 'A4' for country risk and 'B' for business climate, which are considered to be low to moderate. This rating will affect the market factor in assessing market value.

Peru's strengths include: Strong growth potential; Member of the Pacific Alliance; Mineral, energy, agricultural and halieutic resources; Low level of public debt and balanced budget; Independent central bank and healthy banking sector; and Tourist appeal. Weaknesses include: Dependence on raw materials and Chinese demand; Vulnerability to climate and seismic events; Regional disparities (poverty in the Andean and Amazonian regions); Shortcomings in infrastructure, company credit, healthcare and education; Scale of coca growing and cocaine production; and huge grey sector (60% of employment), not favourable to training.

The current market value for mineral projects in Peru is considered to be depressed and a market discount factor of **30%** has been applied to the technical value. The Generative Exploration project has been marked down significantly because of the competing applications.

$$\text{Market Value} = [\text{Technical Value}] * [\text{Adjusted Market Factor}]$$

PROMESA LIMITED	Market Factor	Market Value, A\$M		
		Low	High	Preferred
Alumbre	70%	0.06	0.08	0.07
Quinual	70%	0.03	0.04	0.03
Huajoropampa	70%	0.03	0.04	0.03
Yarpun	70%	0.01	0.01	0.01
Olleros	70%	0.04	0.06	0.05
Genex	20%	0.00	0.00	0.00
TOTAL		0.17	0.23	0.20

## VALUATION OPINION

***The Market Value is estimated for 100% equity in the Projects***

***Based on an assessment of the factors involved the estimate of the market value of the Projects in Peru held by Promesa Limited is in the range of A\$0.17 million to A\$0.23 million with a preferred value of A\$0.20 million.***

***This valuation is effective on 22 June 2015.***

The Company has an Option to Purchase 100% of the Aurifera Chorobal Concession in the Alumbre Project. A payment of US\$460,000 is required prior to April 14, 2018 for a total of US\$500,000. The concession covers approximately 8.0km<sup>2</sup> of the total 9.9km<sup>2</sup>. This decision will be influenced by future exploration results.





## MINERAL ASSETS VALUATION FOR EXPLORATION TENEMENTS

M. Castle – Updated 25 May 2015

Agricola Mining Consultants Pty Ltd (“Agricola”) has prepared these notes as background to the Independent Valuation Report. The appendix is general in nature and references to Western Australia are an example of exploration expenditures. They are appropriate for other states and other countries based on Agricola’s experience in many areas of Australia and elsewhere. Parts of these notes may be repeated for clarity in the main report.

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<b>THE MEANING OF VALUE – SCOPE OF THE REPORT</b>
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A Mineral asset valuation should endeavour to ascertain the price that a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

The test for determining the market value is based on the consideration of a hypothetical negotiation, namely, what is the price that a willing but not anxious purchaser would have to offer to induce a willing but not anxious vendor to sell the property rather than the price which an anxious vendor would obtain upon a forced sale. This is the price that a hypothetical prudent purchaser would entertain, if he desired to purchase it for the most advantageous purpose for which the property was adapted.

This test contemplates a prudent purchaser who has informed himself or herself of all of the relevant attributes and advantages that the property enjoyed which means not just being conversant with the property in its existing state but also any profitable uses to which it might be put. This embodies the concept of the highest and best use of the property.

The High Court cast light on the ordinary meaning of 'market value' in 1907 in [Spencer v. The Commonwealth of Australia](#). In this case, the Commonwealth had compulsorily acquired land for a fort at North Fremantle in Western Australia.

In discussing the concept of market value, Griffith CJ commented (page 432) that:

*... the test of value of land is to be determined, not by inquiring what price a man desiring to sell could have obtained for it on a given day, i.e. whether there was, in fact, on that day a willing buyer, but by inquiring: What would a man desiring to buy the land have had to pay for it on that day to a vendor willing to sell it for a fair price but not desirous to sell?*

Isaacs J subsequently expanded on the concept (page 441):

*... to arrive at the value of the land at that date, we have ... to suppose it sold then, not by means of a forced sale, but by voluntary bargaining between the plaintiff and a purchaser willing to trade, but neither of them so anxious to do so that he would overlook any ordinary business consideration. We must further suppose both to be perfectly acquainted with the land and cognisant of all circumstances which might affect its value, either advantageously or prejudicially, including its situation, character, quality, proximity to conveniences or inconveniences, its surrounding features, the then present demand for land, and the likelihood as then appearing to persons best capable of forming an opinion, of a rise or fall for what reasons so ever in the amount which one would otherwise be willing to fix as to the value of the property.*

In this case, the High Court recognised the principles of:

- the willing but not anxious vendor and purchaser
- a hypothetical market
- the parties being fully informed of the advantages and disadvantages associated with the asset being valued (in the specific case, land)
- both parties being aware of current market conditions.

This is commonly known as the *Spencer test* after the High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value or property. (*Spencer v Commonwealth* (1907) 5 CLR 418 at 432 per Griffiths CJ and 441 per Isaacs J.).

Although the *Spencer test* is based on both a hypothetical vendor and a hypothetical purchaser and therefore the market value from either hypothetical party's point of view should be the same, in some cases emphasis has been placed on what would be the best price which the vendor could hope to obtain.

The question as of "special value" of particular property has often been raised in cases. However in reality this is only part of the *Spencer test* that in attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is to be assumed that the property will be put to its "highest and best use".

Applying the *Spencer test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during ‘boom’ conditions or a depressed market during ‘bust’ conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with market conditions.

The *Spencer test* has been applied in stamp duty cases in determining the value of the dutiable property.

These principles apply equally to mineral assets

## REGULATORY AUTHORITIES

Mineral asset valuations are prepared in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the “VALMIN Code”, 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the Australian Securities and Investments Commission (“ASIC”) and the ASX Limited (“ASX”) which pertain to Independent Expert Reports (*Regulatory Guides RG111, 2011 and RG112, 2011*).

Where mineral resources have been referred to in this report, the classifications are consistent with the *“Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (”JORC Code”)*, prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2012.

## THE VALMIN CODE, 2005

The main requirements of the *Valuation Report* are

- *Prepared in accordance with the VALMIN code.*
- *Details of valuation methodologies*
- *Reasoning for the selection of the valuation approach adopted*
- *Details of the valuation calculations*
- *Conclusion on value*
- *Experience and qualifications of key personnel to be set out*

*Transparency* - The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer. Transparency and Transparent means that the Material data and information used in (or excluded from) the Valuation of a Mineral Property, the assumptions, the Valuation approaches and methods, and the Valuation itself must be set out clearly in the Valuation Report, along with the rationale for the choices and conclusions of the Qualified Valuer.

*Materiality* - This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report. Materiality and Material refer to data or information which contribute to the determination of the Mineral Property value, such that the inclusion or omission of such data or information might result in the reader of a Valuation Report coming to a substantially different conclusion as to the value of the Mineral Property. Material data and information are those, which would reasonably be required to make an informed assessment of the value of the subject Mineral Property.

*Competence* - The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years' experience in that commodity. *For Example:*

#### ***Competent Persons Statement***

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle who is a member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

*Independence* - The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the valuer must not receive any special benefit from doing the study. This subject is addressed fully in RG112 (112.42). Independence or Independent means that, other than professional fees and disbursements received or to be received in connection with the Valuation concerned, the Qualified Valuer or Qualified Person (as the case requires) has no pecuniary or beneficial (present or contingent) interest in any of the Mineral Properties being valued, nor has any association with the Commissioning Entity or any holder(s) of any rights in Mineral Properties which are the subject of the Valuation, which is likely to create an apprehension of bias. The concepts of "Independence" and "Independent" are questions of fact. For example, where a Qualified Valuer's fees depend in whole or in part on an understanding or arrangement that an incentive will be paid based on a certain value being obtained, such Qualified Valuer is not Independent.

*Reasonableness* - in reference to the Valuation of a Mineral Property, while not specifically mentioned in VALMIN, 2005, is a requirement in other jurisdictions. It means that other appropriately qualified and experienced valuers with access to the same information would value the property at approximately the same range. A Reasonableness test serves to identify Valuations, which may be out of step with industry standards and industry norms. It is not sufficient for a Qualified Valuer to determine that he or she personally believes the value determined is appropriate without satisfying an objective standard of proof

*Methodology* - The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets under consideration. Selection of the appropriate valuation method will depend on, inter alia:

- (a) the purpose of the Valuation;
- (b) the development status of the Mineral or Petroleum Assets;
- (c) the amount and reliability of relevant information;
- (d) the risks involved in the venture; and
- (e) the relevant market conditions for commodities.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral Assets under consideration in the Report, stating the reasons why the particular valuation methods have been selected in relation to those factors and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation methods used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reasons for selecting the Value adopted.

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REGULATORY GUIDES RG111 AND RG112, MARCH 2011

It is not the Australian Securities and Investment Commission – ASIC’s role or intention to limit the expert’s exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

- (a) the discounted cash flow method;
- (b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the values derived by more than one method and to comment on any differences.

The complex valuations in an expert’s report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report

becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

- (a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
- (b) the current market value differs materially from that derived by the chosen method.

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## THE JORC CODE, 2012

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves.

The JORC Code provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

The JORC Code was first published in 1989, with the most recent revision being published late in 2012. Since 1989 and 1992 respectively, it has been incorporated in the Listing Rules of the Australian and New Zealand Stock Exchanges, making compliance mandatory for listing public companies in Australia and New Zealand.

The current edition of the JORC Code was published in 2012 and after a transition period the 2012 Edition came into mandatory operation from 1 December 2013.

### *Changes to the JORC Code 2012*

- Table 1 reporting on an 'if not, why not?' basis – Clauses 2, 5, 19, 27, 35 and the introduction of Table 1.
- Competent Person Attributions – Clause 9
- Exploration Targets – Clause 17
- Pre-Feasibility required for Ore Reserves – Clause 29
- Technical Studies definitions – Clause 37-40
- Annual Reporting – Clause 15
- Metal Equivalents – Clause 50
- *In situ* values – Clause 51
- Additional guidance on reporting in Table 1

## VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

### FAIR MARKET VALUE OF MINERAL ASSETS

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

<b>Mineral assets classification</b>	
Exploration areas	<p>Mineralisation may or may not have been identified, but where a mineral resource has not been defined. Available information includes exploration results such as outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results.</p> <p><i>Valuation Methods: <b>Geoscience Factor</b>, <b>Prospectivity Enhancement Multiplier</b>, <b>Yardstick (Rule of Thumb)</b>.</i></p>
Advanced exploration areas	<p>Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment. Available information includes estimates of Exploration Targets, Inferred Resources, Indicated Resources, Measured Resources in accordance with the JORC Code 2012 and the exploration results from the surrounding area or prospect used to compile the estimates. Additional value for exploration potential in the immediate area is not considered to be warranted.</p> <p><i>Valuation Methods: <b>Comparable Transactions</b>. <b>Yardstick (Rule of Thumb)</b></i></p>
Pre-development projects	<p>A positive development decision has not yet been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles. Available information includes Mineral Resource estimates in accordance with the JORC Code and a scoping study. If a recent and valid Pre Feasibility Study has been prepared an Ore Reserve may have been estimated with due regard to modifying factors.</p> <p><i>Valuation Methods: <b>Comparable Transactions</b>, <b>Discounted Cash Flow (if Ore Reserves have been estimated)</b></i></p>
Development projects	<p>Committed to production, but which, are not yet commissioned or not initially operating at design levels. Available information includes a Feasibility Study with supporting technical studies.</p> <p><i>Valuation Methods: <b>Discounted Cash Flow</b>.</i></p>
Operating Mines	<p>Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production.</p> <p><i>Valuation Methods: <b>Discounted Cash Flow</b>.</i></p>

Agricola’s preferred valuation method is shown in bold type.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value (or stand alone value) which is an assessment of a mineral asset’s future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.



- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently.

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or possibly lower. Alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Valuer based on his experience.

The Independent Valuer, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralisation
- level of knowledge of the geometry of mineralisation in the district
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralisation identified on adjacent properties
- appropriate geological models
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralisation

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a “market factor” unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified Ore Reserves it is appropriate to use financial analysis methods to estimate the net present value (“NPV”) of the properties. This technique (the DCF Method) has deficiencies, which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified Ore Reserves it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier (“PEM”) is heavily based on the expenditure; while the Geoscience Factor is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Geoscience Factor assessment is high and the PEM is low it indicates effective well focused exploration, if the Geoscience Factor is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

Methodologies commonly used for the valuation of early stage or exploration assets in order of the evidentiary value provided by each include:

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#### CONTEMPORANEOUS TRANSACTIONS IN THE ASSET

Where a transaction has taken place around the valuation date in the mineral asset in question, this provides the best evidence of value. This may occur when a body of mineralisation or confined geological domain is split by a tenement boundary and one part is sold.

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today’s market. Complicating matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company’s interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

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#### DCF VALUE

Where a financial model has been prepared which considers the exploration results to date, the costs involved in taking the project to production and the probability-weighted returns expected from the project, in the absence of a contemporaneous transaction in the actual exploration interest, this provides the best evidence as to the value of the exploration interest. This method requires that a reasonable estimate can be made of expected cash flows. In accordance with the JORC Code 2012, the estimation of an Ore Reserve must be based on a Pre Feasibility Study or a Feasibility Study. The DCF Method, therefore, is only possible then these studies are available and an Ore Reserve has been estimated. **(DCF Method – see below)**

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#### CONTEMPORANEOUS TRANSACTIONS IN COMPARABLE ASSETS

Where a transaction has taken place recently in an Asset of similar prospectivity in a similar or comparable mineral market, this provides evidence of value in the absence of an actual transaction or a financial model for the exploration interest. The comparison is typically made on the basis of a value per unit of contained resource. **(Comparable Transactions Method – see below)**

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#### POTENTIAL FOR FURTHER DISCOVERIES

The Geoscience Factor method provides the most appropriate approach to utilise in the technical valuation of the *exploration potential* of mineral properties on which there are no defined resources. Kilburn, a Canadian mining engineer was concerned about the haphazard way in which exploration tenements were valued. He proposed an approach that essentially requires the valuer to justify the key aspects of the valuation process in a systematic and defensible manner. The valuer must specify the key aspects of the valuation process and must specify and rank aspects that enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost (“BAC”), which is the average cost incurred to acquire a base unit area of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC and its use with respect to different tenement types.

The Geoscience Factor method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied serially to the BAC of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. **(Geoscientific Factor Method – see below)**

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#### PAST EXPENDITURE

Where the other methods cannot be used, a valuer could also consider *previous exploration expenditure*, and apply a multiple to this based on its effectiveness and the valuer's judgment as to the prospectivity of the project based on the results as at the valuation date. The application of this method is very subjective, and is best used for very early stage exploration interests without resources or significant drilling results. **(Prospectivity Enhancement Method – see below)**

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#### YARDSTICK (RULE OF THUMB) METHOD

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km<sup>2</sup> or per ha). It is probably the most difficult comparative tool to justify.

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#### SHARE MARKET TRADING IN COMPANIES HOLDING COMPARABLE EXPLORATION INTERESTS

Where information on the exploration tenements is not directly observable, valuers sometimes consider the recent share market trading in companies holding comparable exploration interests. This method may require the valuer to apportion the value of the company between its various assets, to determine the proportion of the enterprise value of the company that should be attributed to the comparable exploration interest. Once the valuer has estimated the proportion of the market capitalization or enterprise value of the company that should be attributed to the comparable exploration interest, the value per unit of contained resource or the value per km<sup>2</sup> of tenement approaches can be applied. This typically provides weak evidence of the value of specific exploration interests due to the difficulty in apportioning the enterprise value of a listed company to specific exploration interests, and the likelihood that the share price may include other 'noise' unrelated to the exploration interest.

Market Capitalisation (MCap) and Enterprise Value (EV: MCap + Debt – Cash) are often used in comparable transaction valuations, often quoted as EV per unit of Resource or reserve. These measures say *nothing* about the technical value of individual mineral assets and are usually influenced by many commercial and emotional factors both within and external to the Company.

It is fair to assume that a company's share price is a reflection of the market value of the company and this is strongly influenced by the market value of mineral assets in the light of current market

conditions. If a 'willing but not anxious buyer' were to make an offer for the company based on share price, appropriate due diligence has been completed and the offer may also include a premium for control.

MCap per unit and EV per unit for peer group companies may be a satisfactory measure of 'reasonableness' of the market value of the bundle of assets and should be viewed in that light and not as a direct measure of technical value.

## VALUATION OF DEVELOPMENT PROJECTS BY DISCOUNTED CASH FLOW METHODS

Agricola believes that the Discounted Cash Flow/Net Present Value method should never be applied to the valuation of a Mineral Property that is only at an exploration stage, based on the hypothetical cash flows from a postulated exploitation scenario. Valuers tend to consider before or after tax values only in the context of the DCF/NPV Method, with a general preference for determinations of after-tax value.

Of course, some owners can use tax losses and structure their affairs to minimise the impact of corporate taxes, but others cannot do so. Hence, it should be clearly stated on what taxation basis the fair market value is determined. This is another reason why care must be taken when using project sales data as a comparable basis for assessing value. The 'comparable' projects may be in different places subject to different taxation regimes, in any event.

### **Discounted cash flow analysis**

A discounted cash flow ("DCF") analysis determines the Technical Value of a project by approximating the value if it were developed under the prevailing economic conditions.

Once a Mineral Resource has been assessed for mining by considering revenues and operating costs, the economically viable component of the resource becomes the Ore Reserve. When this is scheduled for mining, and the capital costs and tax regime are considered, the net present value ("NPV") of the project is established by discounting future annual cash flows using an appropriate discount rate.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, however the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

In terms of cash flow analysis, the DCF valuation technique is the most commonly used valuation tool. The technique has specific strengths over the methods considered in the market and cost approaches. These include its ability to consider the effects of royalties, leases, taxation and financial gearing on the resulting cash flow. In addition, the beneficial impact of unredeemed capital balances, assessed losses, depreciation and amortization on free cash flows can also be modelled.

Compiling cash flows on resources categorized as inferred, or those with even less geoscientific confidence (which in some cases are referred to as inventory), is prohibited by some international

codes. It is only under exceptional circumstances that many securities exchanges will accept such cash flows and the effect of cash flow contributions from inferred resources on project performance should be demonstrated separately from those derived from other resource and reserve categories.

The DCF method is used to produce numerous quantitative results. On its own and as an investment tool, it is based on the principle that for any initial investment, the investor will look to the future cash flows of that entity to provide a minimum return. This return will be at least a predetermined return over the investor's hurdle rate for that investment. The hurdle rate represents the minimum return of a project, below which the decision to invest or develop a new project will be negative, and above which the project will be developed. The hurdle rate should always be greater than the cost of capital for the investor.

For a mining project, in a macroeconomic environment that is sufficiently favourable and stable for this method to be applied, the critical input data will generally be incorporated in a life of mine (LoM) plan. The LoM plan, such as that accompanying a pre-feasibility, feasibility or a bankable feasibility study, will include:

- ▶ reserve and resource estimates in accordance with the JORC Code
- ▶ forecast mining schedules of tonnage on a daily, monthly or annual basis
- ▶ forecast grade profiles and associated recoveries from a processing facility. This, together with the tonnage profile, allows the valuer to calculate the volume of saleable product
- ▶ estimated working costs, preferably unitized to either an amount per tonne mined or milled or an amount per unit of metal or product sold
- ▶ forecast capital expenditure profiles over the life of the operation, including ongoing or sustainable capital expenditure amounts and
- ▶ rehabilitation liabilities or trust fund contributions, retrenchment costs, plant metal lock-up and any other specific factor that will impact on costs or revenue.

Changes in working capital balances are generally calculated based on historical balance ratios, applied to forecast revenues and working costs. They impact on short term cash flows and therefore must be modelled into the cash flows. Naturally, any working capital locked up during the life of the operation will be released at the end of this life.

Once the economic inputs have been assumed, the DCF can be determined. This is often stated as EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) and is frequently taken as the technical value of the project, subject to a consideration of sensitivity to the assumptions.

The resultant cash flow is then used to derive the net present value (NPV) of the operation at a predetermined discount rate or a range of discount rates. The derived NPV, on which the return on investment can be calculated, is used as a proxy for the operation's implicit value. This is often compared with the value or returns the market attributes to the operation, if it is a listed entity, or compared with other investment opportunities in order to optimize investment or development

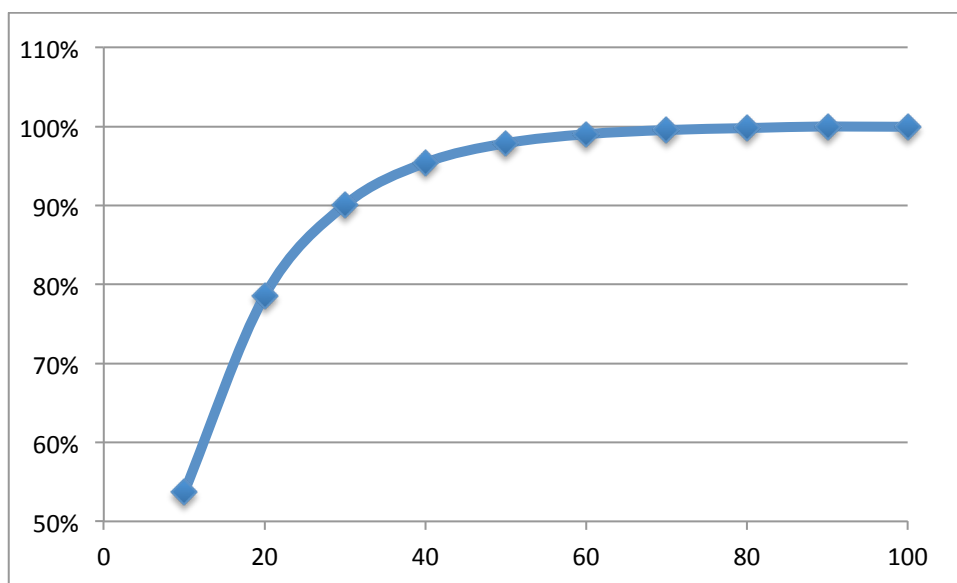
schedules.

In any cash flow determination, the impact of inflation on the final result cannot be overstated. One only has to consider the effect of taxation as applied to real taxable income as opposed to being levied against nominal taxable income. Converting the final cash flows to real money terms, the values derived from two similar cash flows will be quite different. The unredeemed capital balance will last longer in the real terms case, incorrectly enhancing the value of the same project. The real cash flow lines in Table X must be compared to recognize the impact of taxation on real and nominal cash flows.

As a result of the difficulty in obtaining agreement on appropriate inflation forecasts to use in the specific valuation of a project, valuers often exclude a forecast on inflation rates. This in itself may be construed as an inflation assumption, in that inflation is taken to be zero per cent per year. However, this reflects an ideal world, which is unrealistic.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, assumption into the future which cannot be verified with any confidence and limited mine life. However the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

As example of the shortcomings of the DCF Method a conceptual cash flow was modeled and NPV estimated at 8% over different time periods with the following outcome over 100 years:



Percent of maximum NPV from 10 to 100 years.

The estimated NPV reached a maximum value in 60 years and no amount of future income adds to this value.

VALUATION OF RESOURCES BY COMPARABLE TRANSACTIONS

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a **Comparable Transactions** approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different Mineral Resource categories and operational factors to differentiate between deposits.

Agricola Mining Consultants prefers the comparable transactions approach where mineral resources have been estimated. The DCF method is inappropriate because there is no Pre Feasibility or Feasibility Study available and no Ore Reserves has been (or can be) estimated under the JORC Code. The Geoscientific Factor method (potential for further discoveries) and Past Expenditure methods are appropriate for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola’s opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola is not aware of a method to cross check the valuation for the technical value (as apposed to the Market value) under these circumstances except by comparison with earlier valuations.

With metal projects the Comparable Transactions method requires allocating a dollar value to resource tonnes or ounces in the ground. The dollar value must take into account a number of aspects of the resources including:

- The confidence in the resource estimation (the JORC Category)
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of infrastructure, development and capital expenditure aspects

This approach can be taken with metals or bulk commodities sold on the spot market and where current price can be estimated with appropriate adjustments for impurities if required. Value is estimated as a percentage of contained value once appropriate discounts for uncertainty relating to resource categorisation are taken into account.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	45%

An example of appropriate discounts for operational factors is included below but these must be considered on a case-by-case basis.

Operations Factors	Base Metals	Iron Ore	Coal	Gold	Rare Earths
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Recovery	75%	75%	70%	95%	60%
Mining	75%	90%	75%	90%	100%
Processing	80%	70%	70%	95%	50%
Rail	80%	90%	70%	95%	75%
Port	80%	90%	50%	100%	90%
Capex	80%	70%	75%	90%	50%
Marketing	75%	80%	75%	100%	75%
Total Operating Discount	17%	21%	7%	69%	7%

## MERGERS AND ACQUISITIONS ACTIVITY

A recent review of Mergers and Acquisitions over the last eight years covering the mining boom, the GFC and the recovery phase of the Mining Market indicates the price paid for gold assets.

Merger and Acquisitions Activity (CAD)									
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gold Price	\$709	\$778	\$920	\$1,154	\$1,277	\$1,590	\$1,665	\$1,488	\$1,303
Producing Assets*	\$74	\$94	\$115	\$89	\$207	\$202	\$200	\$121	\$120
Percent of Price	10.40%	12.10%	12.50%	7.70%	16.20%	12.70%	12.00%	8.10%	9.20%
Exploration Assets*	\$54	\$28	\$31	\$29	\$71	\$90	\$47	\$23	\$17
Percent of Price	7.60%	3.60%	3.40%	2.50%	5.60%	5.70%	2.80%	1.50%	1.30%

\*Estimated price paid per ounce of gold in the ground, updated December 31, 2014  
Source: <http://www.ibkcapital.com/capital-market-highlights/merger-acquisition-activity/>

The information is based on Canadian experience and closely replicates values reported in Australia and similar metal markets elsewhere. The 'Apparent Acquisition Cost' ("AAC") for gold projects lies in the range of 1.5% to 7.6% of the gold price at the time. The data set does not differentiate between resource categories or variations in deposits type and individual assessment. It is implicit that this has been taken into account with risk related discounts. Information on sales internationally has shown a pattern for AAC. For the purpose of valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles of the spread of values.

AAC Percentiles 2006 - 2014 - Exploration Assets					
Percentile	10%	25%	50%	75%	90%
AAC	1.5%	2.5%	3.4%	5.6%	6.1%
AAC Percentiles 2006 - 2014 - Producing Assets					
Percentile	10%	25%	50%	75%	90%

AAC	8.0%	9.2%	12.0%	12.5%	13.4%
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The AAC method percentiles are derived from Canadian Merger and Acquisitions activity in the gold industry. The original database provided \$/ounce values for producing and non-producing asset sales for a period of years and Agricola has recalculated this as a percentage of metal value so it can be related to current metal prices in other metals. The quoted prices are based on enterprise value (EV - Market Capitalisation plus debt minus cash) so they cannot be directly compared to technical value. A “top-down” approach is often taken to determine technical value (for example for stamp duty assessment) where company specific elements such as cash, debt, goodwill, database value etc are deducted from the EV. Agricola prefers a “bottom-up” approach in this Report where discount factors for resource category and operating factors are assessed for each deposit.

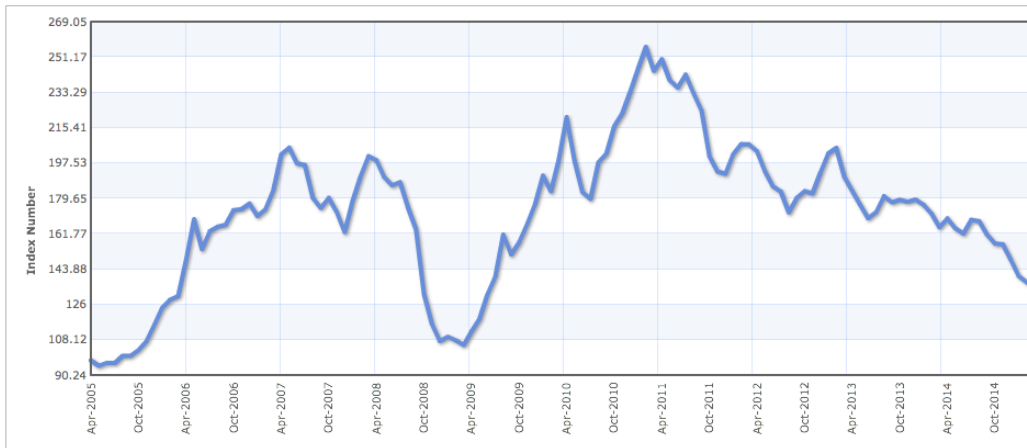
This, of course, is a subjective decision and AAC percentiles are used in conjunction with the resource category discounts and operational factors to 'normalise' the rates for gold acquisitions to other metals. In the absence of a useful database of project sales for other metals this is considered to be a reasonable proxy for sales in most metal projects (the combination of AAC, discounts and Operational factors). Mineral asset sales are related to the current mineral price (or contained value) which is provided by the M & A database over the period 2006 - 2013 through a period of boom and bust and the valuation method is realistic when adjusted by factors that relate specifically to the metal involved and more specifically to the individual deposits.

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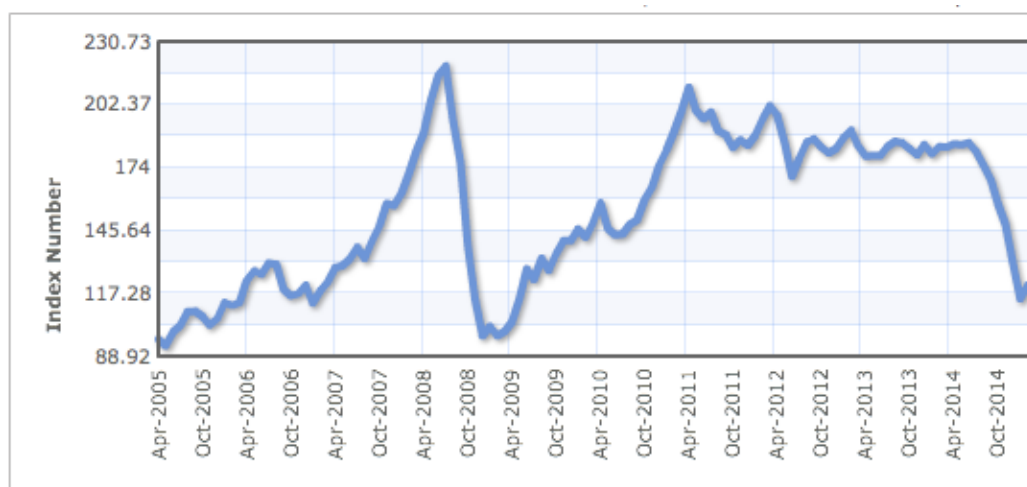
#### SENSITIVITY TO METAL PRICE

Valuation of mineral resources is estimated at a specific date as stated in the report and metal prices are estimated from current information available at that time. Metal markets may be quite volatile from time to time and it is appropriate to consider the effect of variations in metal price (which may change on a daily basis).

The two charts below represent the Commodity Metal Price index and the Commodity Price Index over the last decade. Both charts show a marked decline in 2008/09 (GFC) and a similar decline in recent years.



**Description:** Commodity Metals Price Index, 2005 = 100, includes Copper, Aluminum, Iron Ore, Tin, Nickel, Zinc, Lead, and Uranium Price Indices



**Description:** Commodity Price Index, 2005 = 100, includes both Fuel and Non-Fuel Price Indices

*There is an obvious need for reassessment of value if there is a significant change in metal/oxide prices.*

**GEOSCIENCE FACTOR METHOD**

The Geoscience Factor method attempts to convert a series of scientific opinions about a subject property into a numeric evaluation system. The success of this method relies on the selection of multiplying factors that reflect the tenement's prospectivity.

Agricola Mining Consultants prefers the Geoscientific Factor method (potential for further discoveries) for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola uses Past Expenditure and yardstick (Rule of Thumb) methods as an appropriate way of cross checking the reasonableness of the valuation.

The Geoscience Factor method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor (grade) of any mineralisation known to exist on the property being valued;
- geophysical and/or geochemical targets and the number and relative position of anomalies on the property being valued;
- geological patterns and models appropriate to the property being valued.

It is recognised that application of this method can be highly subjective, and that it relies almost exclusively on the geoscience ratings adopted by the valuer. As such, it is good practice for valuers using this method to provide sufficient discussion supporting their selection of the various multiplying factors to allow another suitably qualified geoscientist to assess the appropriateness of the factors selected.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. Agricola Mining Consultants prefers the Geoscience Factor approach because it endeavours to implement a system that is systematic and defensible. It also takes account of the key factors that can be reasonably considered to impact on the exploration potential. The keystone of the method is the BAC, which provides a standard base from which to commence a valuation. The acquisition and holding costs of a tenement for one year provides a reasonable, and importantly, consistent starting point. Presumably when a tenement is pegged for the first time by an explorer the tenement has been judged to be worth at least the acquisition and holding cost.

It may be argued that on occasions an EL may be converted to a ML expediently for strategic reasons rather than based on exploration success, and hence it is unreasonable to value such a ML starting at a relatively high BAC compared to that of an EL.

It has also been argued that the method is a valuation-by-numbers approach. In Agricola's opinion, the strength of the method is that it reveals to the public, in the most open way possible, just how a tenement's value was systematically determined. It is an approach that lays out the subjective judgements made by the valuer.

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## AREA

The area of a tenement is usually stated in terms of square kilometres as a matter of convenience and consistency. A graticular boundary (or block) system was introduced for exploration licences in mid 1991 in W.A. and a block is defined as one minute of latitude by one minute of longitude. The

square kilometres contained within a block varies from place to place. For instance, at Kunnanurra (Latitude 15 deg. S) one block equals 3.31 square kilometres, at Mt Isa (Latitude 20 deg. S) one block equals 3.22 square kilometres. at Carnarvon or Bundaberg (Latitude 25 deg. S) one block equals 3.11 square kilometres and at Albany or Adelaide (Latitude 35 deg. S) one block equals 2.81 square kilometres.

Prospecting Licences and Mining Leases are granted in Hectares (100 hectares equals one square kilometre).

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## BASIC ACQUISITION COST

The Basic Acquisition Cost (“BAC”) is the important input to the Geoscience Factor Method and it is estimated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees for a first stage exploration tenement such as an Exploration Licence (the first year holding cost).

The notes are general in nature and references to Western Australia are an example of exploration expenditures. they are appropriate for other states and other countries based on Agricola’s experience in many areas of Australia and elsewhere.

The current holding cost for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of \$300 per square kilometre per year with a minimum of \$20,000 and annual rent of \$46.80. A 15% administration fee is taken into account to imply a holding cost of \$400 per square kilometre. A similar approach based on expenditure commitments could be taken for Prospecting Licences and Mining Leases (effective 1 July 2014). The Benchmark minimum expenditure for Exploration Licences in the Northern Territory is \$10,000 plus \$150 per block.

The BAC was originally based on calculations of exploration expenditures and other costs for Western Australia. Agricola’s experience has confirmed this range to be appropriate for other parts of the world where exploration or valuations have been carried out.

Many overseas jurisdictions do not specify a minimum expenditure commitment but require that sufficient work be completed in the first year to allow granting of the tenement into the second year. This usually requires preparation of a report with results of exploration carried out. For example with a grass roots portfolio 500 square kilometres in the first year the expenditure (BAC) would be \$200,000 to \$225,000 which is appropriate for early work of desktop studies, field visits rock chip sampling and general research. Agricola believes an Australian company would consider this reasonable for the first phase of work in any country.

A company may well choose to spend more than that and budgets of \$0.5 to \$1.0 million are not uncommon but these budgets are usually based on significant previous encouragement such as scout drilling, aeromagnetic targets etc. The BAC is designed for grass roots projects where no earlier work is available and only regional selection information is available.

Where the Company in earlier work programs has received encouragement from earlier work then that aspect is addressed in the geofactors, which tend to upgrade the BAC based on earlier results and perceived prospectivity.

In Western Australia (from February 2006), an application for a Mining Lease required either a mining proposal or a statement describing when mining is likely to commence; the most likely method of mining; and the location, and the area, of land that is likely to be required for the operation of plant, machinery and equipment and for other activities associated with those mining operations. A mineralisation report is also required that has been prepared by a qualified person.

The mineralisation report must be completed by a qualified person and shall contain information of sufficient standard and detail to substantiate, to the satisfaction of the Director Geological Survey, that significant mineralisation exists within the ground applied for. A 'qualified person' means a person who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG). Significant mineralisation means a deposit of minerals located during exploration activities and that there is a reasonable expectation that those minerals will be extracted by mining operations.

The implication of the mineralisation report suggests that Mining leases should be valued on the body of significant mineralisation (usually a Mineral Resource estimated in accordance with the JORC Code) and not on the basis of prospectivity. The preferred method for valuing resources is by comparable transactions (Market Based).

*The Mineral Resources are assumed to encapsulate all the value for the tenements or prospects on which they occur and the exploration results considered for the estimate. A separate value for exploration potential for this tenement is not considered warranted.*

It is recognised that further exploration potential may exist within the tenement boundaries but when a mineral resource has already been estimated in accordance with the JORC Code a hypothetical willing but not too anxious purchaser would be unlikely to consider additional value for surrounding untested ground. The possibility of undrilled extensions to mineral resources may be considered in the market factor assessment.

Mining Leases granted prior to 2006 and Prospecting Licences may not have a mineralisation report available and may cover old workings or simply an expedient or strategic method of securing ground at the expiry of an Exploration Licence rather than based on exploration success. While these Licences carry all the obligations set out in the Mining Act, from a valuation point of view they are equivalent to Exploration Licences and it is unreasonable to value such these MLs (or PLs) starting at a relatively high holding cost compared to that of an EL where only exploration results are available. These tenements should be considered on the basis of a **BAC of \$400 to \$450**. To value these areas at the higher levels may not be considered to be reasonable under the VALMIN Code.

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## TENEMENT STATUS

Uncertainty may exist where a tenement is in the application stage. Competing applications may be present where a ballot is required to determine the successful applicant or Native Title issues and

negotiations may add to the risk of timely grant. Other issues may also be present such as state parks or forestry and wildlife reserves, competing land use and compensation agreements. There is an inherent risk that the tenement may not be granted and this needs to be recognised in the base value assessment. A 'grant factor' of zero may be applied where there is no realistic chance of approval (e.g. sacred sites) and where no significant impediments are known the factor may increase to about 60% to reflect delays and compliance with regulations.

## EQUITY

The equity a Company may hold in a tenement through joint venture arrangements or royalty commitments may be addressed in assessing base Value but it is often considered at the end of a valuations report.

## GEOSCIENCE FACTORS

The multipliers or ratings and the criteria for rating selection across these four factors are summarised in the following table.

The selection of factors from the table must be tempered with an eye to the reasonableness of the outcome and an awareness of the inherent exploration risks in achieving progress to the next level. Some exploration licences are overly large and may cover several domains of prospective (or entirely unprospective) ground and this should be recognised in the Geology Factor. A conservative approach is considered mandatory.

Estimate of project value is carried out on a tenement-by-tenement basis and uses four calculations as shown below. The value estimate is shown as a range with a preferred value.

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

$$\text{Market Value} = [\text{Technical Value}] * [\text{Market Premium/Discount Factor}]$$

GEO-FACTOR RATING CRITERIA - GUIDELINES					
	Rating	Address - Off Property	Mineralisation - On Property	Anomalies	Geology
<b>Low</b>	0.5	Very little chance of mineralisation, Concept unsuitable to environment	Very little chance of mineralisation, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Unfavourable lithology over >75% of the tenement
	0.75				Unfavourable lithology over >50% of the tenement
<b>Average</b>	1	Indications of	Indications of	Extensive previous	Deep alluvium

		Prospectivity, Concept validated	Prospectivity, Concept validated	exploration with encouraging results - regional targets	Covered favourable geology (40-50%)
	1.5	RAB Drilling with some scattered results	Exploratory sampling with encouragement, Concept validated	Several early stage targets outlined from geochemistry and geophysics	Shallow alluvium Covered favourable geology (50-60%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
	2.5	Grid drilling with encouraging results on adjacent sections	Diamond Drilling after RC with encouragement	Several well defined surface targets with encouraging drilling results	Strongly favourable lithology (70-80%)
<b>High</b>	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (80 - 100%)
	3.5	Along strike or adjacent to known mineralisation at Pre-Feasibility Stage	Resource areas identified	Subeconomic targets of possible significant volume - early stage drilling	

**PROSPECTIVITY ENHANCEMENT MULTIPLIER ("PEM")**

Various valuation methods exist which make reference to historical exploration expenditure. One such method is based on a 'multiple of historical exploration expenditure'. Successful application of this method relies on the valuer assessing the extent to which past exploration expenditure is likely to lead to a target resource being discovered, as well as working out the appropriate multiple to apply to such expenditure.

Another such method is the 'appraised value method'. When adopting this approach, the valuer should only account for meaningful past exploration expenditure plus warranted future expenditures. Warranted future expenditures reflect a reasonable and justifiable exploration budget to test the identified potential of the target.

***PEM Factors Used in this valuation method***

<b>PEM Range</b>	<b>Criteria</b>
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified



0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

When historical expenditure approaches are adopted, it is good practice for valuers to provide full transparency in relation to all historical exploration expenditure on the subject property, details of those expenditures selected for use in the method (including details in relation to warranted future expenditures), and justification for any multiples applied.

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results, a PEM can be derived which takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database.

Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to 60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM Factors are defined in the table.

#### YARDSTICK (RULE OF THUMB) METHOD

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km<sup>2</sup> or per ha). It is probably the most difficult comparative tool to justify. This Method has found greater acceptance in North America, where tenement sizes appear to be smaller and where there are many more transactions forming a deep and liquid market than elsewhere. In addition, dealing in tenements is not discouraged by the mining legislation, especially in the US with its historic focus on property rights. It is used in Canada and Australia, though to a much lesser extent.

In Australia, many State jurisdictions grant large exploration tenements (say 300km<sup>2</sup> maximum) on a graticular block system. This means a tenement is usually larger than geometrically necessary to

cover the specific geologically prospective terrane. Also, most jurisdictions here require periodic significant reductions in the tenement's size, so it is common to apply for more area than is actually needed to provide for this obligatory reduction. The sale of exploration tenements to third parties is discouraged (although sales, particularly if interests, certainly occur) because the basis of grant is that the applicants will carry out the granted tenement's exploration obligations themselves. The State sees itself as the centralised, timely distributor of exploration rights, not the free market.

That said, some valuers still attempt to use this Rule-of-Thumb (based upon area) in Australia with an emphasis on market value. A review of technical value (which is not influenced by market conditions) of exploration areas carried out by Agricola over the last few years suggests that ground without resources can be categorized as a matter of convenience into four groups:

- Advanced exploration areas located in a well mineralised area near existing mineral deposits with significant potential attract values well above \$2000 per square kilometre
- Exploration areas along strike or structurally related to estimated mineral resources. Such areas attract values in the range \$1200 to \$2000 per square kilometre.
- Exploration areas in known mineral fields. Such areas attract values in the range of \$700 to \$1300 per square kilometre.
- Exploration areas in green fields or early exploration domains remote from mineral resources. Such areas attract values in the range of \$400 to \$800 per square kilometre.

#### ADJUSTMENTS TO THE TECHNICAL VALUE – MARKET VALUE

Mineral Assets are often bought and sold at a price that is different than their technical value or stand-alone value. To the extent that it exists, the amount of the transacted value differs from the technical value is often described as the 'acquisition premium or discount'.

The concept of market value implies the construction of a hypothetical transaction between willing, knowledgeable, but not anxious buyers and sellers. Therefore, when assessing the market value of resource projects, it is likely that valuers will consider whether it is appropriate to make an adjustment to the technical value of the project to reflect any observed 'acquisition premium or discount', or other adjustments. Such adjustments can either be implicit or explicit in the valuation method chosen. However, care should be taken not to treat as acquisition premium or discount something that is properly part of technical value, such as where assumed forward values for commodity prices are reflected in the technical value.

Particularly when valuing early stage exploration and development projects the technical value may be assessed for a project with reference to parameters that may be above or below those present in the financial markets as at the valuation date. Consequently, when applying these exploration valuation methods, it may be appropriate to reflect a series of high level adjustments to the technical value to account for differences in market conditions relative to those embedded within the method itself.

However, other valuation methods (particularly the DCF valuation method) are able to explicitly reflect a series of parameters that may apply to future financial market expectations. This is particularly the case if valuers adopt commodity price, exchange rate, inflation rate, and discount

rate parameters which are forecast with reasonable confidence, and resource to reserve conversion, cost structure and capital expenditure parameters which are consistent with the expectations in the market. Doing so will limit the need to make further adjustments to the resulting stand alone value to account for such factors as 'market considerations'.

To the extent that valuers choose to apply further adjustments to their assessed stand alone value, it is good practice to clearly identify how they have applied the adjustments are applied, and the rationale for doing so.

## GLOSSARY OF TERMS

**'Minerals Industry'** (also Extractive Industry) – Defined as encompassing those engaged in exploring for, extracting, processing and marketing **'Minerals'**.

**'Price'** – The amount paid for a good or service and it is a historical fact. It has no real relationship with 'Value', because of the financial motives, capabilities or special interests of the purchaser; and the state of the market at the time.

**Personal Property** – Covers all items other than **'Real Estate'** and may be tangible (like a chattel or goods) or intangible (like a patent or debt). It has a moveable character.

**'Real Property'** – A non-physical, legal concept and it includes all the rights, interests and benefits related to the ownership of **'Real Estate'** and normally recorded in a formal document (eg, deed or lease). The rights are to sell, lease, enter, bequeath, gift, etc. There may be absolute single or partial ownership (subject to limitations imposed by Government, like taxation, planning powers, appropriation, etc). These rights may be affected by restrictive covenants or easements affecting title; or by security or financial interests, say conveyed by mortgages.

**'Real Estate'** – A physical concept, including land and all things that are a natural part of the land (eg, trees and Minerals). In addition it includes all things effectively permanently attached by people (eg, buildings, site improvements, and permanent physical attachments, like cooling systems and lifts) on, above or below the ground.

## VALUATION AND VALUE

**'Value'** (also Valuation which is the result of determining 'Value') - The estimated likely future 'Price' of a good or service at a specific time, but it depends upon the particular qualified type of value (eg 'Market Value', 'Salvage Value', 'Scrap Value', 'Special Value', etc). There is also a particular value for tax and rating, or insurance purposes.

**'Market Value'** (IVS Definition) – The result of an objective Valuation of specific identified ownership rights to a specific asset as at a given date. It is the value in exchange not **'Value-in-Use'** set by the market place. It is the *“estimated amount for which a property should exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had acted knowledgeably, prudently, and without compulsion”*.

**'Fair Value'** (IVS definition) – An accountancy term used for values envisaged to be derived under any and all conditions, not just those prevailing in an open market for the normal orderly disposal of assets. Being a transaction price it reflects both existing and alternative uses, too. It is also a legal term for values involved in dispute settlements which may not also meet the strict **'Market Value'** definition. Commonly, it reflects the service potential of an asset ie, value derived by DCF/NPV analysis, not merely the result of comparable sales analysis. It is still the *“amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction”*.

- ‘Highest-and-Best-Use’** – for physical property, it is the reasonably probable and legal use of property, which is physically possible, appropriately supported and financially feasible, that results in the highest value. In the case of personal property, it is the same with the additional qualification that the highest value must be in the appropriate market place, consistent with the purpose of the appraisal. It may be, in volatile markets, the holding for a future use.
- ‘Value-in-Use’** – in contrast to **‘Highest-and-Best-Use’**, it is the specific value of a specific tangible asset that has a specific use to a specific user. It is not market-related. The focus is on the value that a specific property contributes to the enterprise of which it is a part (being part of a **‘Going Concern Valuation’**). It measures the contributory value of a specified asset(s) used within that specific enterprise, although it is not the **‘Market Value’** for that individual asset. It is the Value-to-the-Owner/Entity/Business in accountancy terms and may be the lower of net current replacement cost and its recoverable amount. It is also the net present value of the expected future net cash flows from the continued use of that asset, plus its disposal value at the end of its useful life (**‘Scrap Value’**). At the **‘Valuation Date’**, there must be recognition of its existing use by a particular user. This is in contrast to the alternative reasonable use to which an asset might be put by unspecified owner(s).
- ‘Going Concern Value’** – A business valuation concept rather than one relating to individual property valuation. It is the value of an operating business/enterprise (ie one that is expected to continue operating) as a whole and it includes goodwill, special rights, unique patents or licences, special reserves, etc. Apportionment of this total value may be made to constituent parts, but none of these components constitute a basis for **‘Market Value’**.
- ‘Forced Sale Value’ (Liquidated Value)** – The amount reasonably expected to be received from the sale of an asset within a short time frame for completion that is too short to meet the ‘Market Value’ definition. This definition requires a reasonable marketing time, having taken into account the asset’s nature, location and the state of the market). Usually it also involves an unwilling seller and buyers who have knowledge to the disadvantage of the seller.
- ‘Market Capitalization’** - The total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures. Frequently referred to as "market Cap" or MCap
- ‘Enterprise Value - EV’** - A measure of a company's value, often used as an alternative to straightforward market capitalization. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents. In the event of a buyout, an acquirer would have to take on the company's debt, but would pocket its cash. EV differs significantly from simple market capitalization in several ways, and many consider it to be a more accurate representation of a firm's value.
- ‘Market Premium’** - A control premium is an amount that a buyer is usually willing to pay over the current market price of a publicly traded company in order to acquire a controlling share in that company. The reason the buyer of a controlling interest is willing to offer a premium over the price currently established by other market participants is the additional prerogatives of control, including electing the company directors, firing and hiring key employees, declaring and distributing dividends, divesting or acquiring additional business assets, and entering into merger and acquisition transactions. The opposite of control premium is the minority discount.
- ‘Investment Value’ (Worth)** – this is the value of a specific asset to a specific investor(s) for identified investment objectives or criteria. It may be higher or lower than ‘Market Value’ and is associated with ‘Special Value’.
- ‘Property-with-Trading-Potential’** – refers to the valuation of specialised property (eg, hotel, petrol station, restaurant, etc) that is sold on an operating or going concern basis. It recognises that

assets other than land and buildings are to be included in the 'Market Value' and it is often difficult to separate the component values for land and property.

**'Special Value'** – An extraordinary premium over and above the 'Market Value', related to the specific circumstances that a particular prospective owner or user of the property attributes to the asset. It may be a physical, functional or economic aspect or interest that attracts this premium. It is associated with elements of 'Going Concern Value' or 'Investment Value' since it also represents synergistic benefits. In a strict sense it could apply to very specialised or special purpose assets which are rarely sold on the open market, except as part of a business, because their utility is restricted to particular users. In some circumstances, it may be the lower value given by 'Value –in–Use'.

**'Salvage Value'** – The expected value of an asset at the end of its economic life (ie, being valued for salvage disposal purposes rather than for its originally intended purpose). Hence, it is the value of property, excluding land, as if disposed of for the materials it contains, rather than for its continued use, without special repairs or adaptation.

**'Scrap Value' (Residual Value)** – The remaining value (usually a net value after disposal costs) of a wasting asset at the end of a prescribed or predictable period of time (usually the end of its effective life) that was ascertained upon acquisition.

**'Valuation Date'** - Means the reference date to which a Valuation applies. Depending on the circumstances, it could be different to the date of completion or signing of the Valuation Report or the cut-off date of the available data (VALMIN Code,).

**'Valuer'** (also Valuer [Canada] or Appraiser [USA]) – Either the 'Expert' or 'Specialist' (Qualified Person in Canada) who is the natural person responsible for the Valuation to determine the 'Fair Market Value' after consideration of the technical assessment of the 'Mineral Asset' and other relevant issues. They must have demonstrable 'Competence' (and 'Independence', when required).

## **JORC CODE**

**'Competent Person'** - A 'Competent Person' is a minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a 'Recognised Professional Organisation' (RPO), as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking. If the Competent Person is preparing documentation on Exploration Results, the relevant experience must be in exploration. If the Competent Person is estimating, or supervising the estimation of Mineral Resources, the relevant experience must be in the estimation, assessment and evaluation of Mineral Resources. If the Competent Person is estimating, or supervising the estimation of Ore Reserves, the relevant experience must be in the estimation, assessment, evaluation and economic extraction of Ore Reserves. (JORC 2012)

**'Independent/Independence'** – Means that the person(s) making the Valuation have no 'Material' pecuniary or beneficial (present or contingent) interest in any of the 'Mineral Assets' being assessed or valued, other than professional fees and reimbursement of disbursements paid in connection with the assessment or Valuation concerned; or any association with the commissioning entity, or with the owners or promoters (or parties associated with them) likely to create an apprehension of bias. Hence, they must have no beneficial interest in the outcome of the transaction or purpose of the technical assessment/Valuation of the 'Mineral Asset' (VALMIN Code). ASIC RG112, which deals with the Independence of Expert Reports, provides more detail on

this concept. (JORC 2012)

**‘Exploration results’** - Exploration Results include data and information generated by mineral exploration programmes that might be of use to investors but which do not form part of a declaration of Mineral Resources or Ore Reserves. The reporting of such information is common in the early stages of exploration when the quantity of data available is generally not sufficient to allow any reasonable estimates of Mineral Resources. Examples of Exploration Results include results of outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results. (JORC 2012)

**‘Exploration Target’** - An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource. Any such information relating to an Exploration Target must be expressed so that it cannot be misrepresented or misconstrued as an estimate of a Mineral Resource or Ore Reserve. The terms Resource or Reserve must not be used in this context. (JORC 2012)

**‘Inferred Mineral Resource’** - An ‘Inferred Mineral Resource’ is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration. (JORC 2012)

**‘Indicated Mineral Resource’** - An ‘Indicated Mineral Resource’ is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve. (JORC 2012)

**‘Measured Mineral Resource’** - A ‘Measured Mineral Resource’ is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve. (JORC 2012)

**‘Modifying Factors’** - are considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. (JORC 2012)

**‘Scoping Study’** - A Scoping Study is an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified. A Scoping Study must not be used as the basis for estimation of Ore Reserves. (JORC 2012)

**‘Pre Feasibility Study’** - A Preliminary Feasibility Study (Pre-Feasibility Study) is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre- Feasibility Study is at a lower confidence level than a Feasibility Study. (JORC 2012)

**‘Feasibility Study’** - A Feasibility Study is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre- Feasibility Study. (JORC 2012)

#### **VALMIN CODE**

**‘Mineral(s)’** – Any naturally occurring material found in or on the Earth’s crust, that is useful to and/or has a value placed on it by mankind. The term specifically includes coal, shale and materials used in building and construction, but excludes crude oil and natural gas (VALMIN Code).

**‘Mineral Asset(s)’** (Resource Assets or Mineral Properties) - All property including, but not limited to ‘Real Property’, intellectual property, mining and exploration tenements held or acquired in connection with the exploration, the development of and the production from those tenements; together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with those tenements. Most can be classified as ‘Exploration Areas’, ‘Advanced Exploration Areas’, ‘Pre-Development Projects’, ‘Development Projects’ or ‘Operating Mines’ (VALMIN Code).

**‘Operating Mines’** – Mineral Properties, particularly mines and processing plants, which have been fully commissioned and are in production (VALMIN Code).

**‘Development Projects’** – Mineral Properties which have been committed to production, but which are not yet commissioned or not operating at design levels (VALMIN Code).

**‘Advanced Exploration Areas’ and ‘Pre-development Projects’** – Mineral Properties where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a positive development decision has not been made. Mineral Properties at the early assessment stage, those for which a development decision has been negative, those on care and maintenance and those held on retention titles are all included in this category if Mineral Resources have been identified. This is even if no further valuation or technical assessment work, delineation or advanced exploration is being undertaken (VALMIN Code).

**‘Exploration Areas’** – Mineral Properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been identified (VALMIN Code).

**‘Fair Market Value’** (Market Value or Value) – The object and result of the Valuation. It is the estimated amount of money (or the cash equivalent of some other consideration) for which the ‘Mineral Asset’ should change hands on the ‘Valuation Date’. It must be between a willing buyer and a willing seller in an ‘arm’s length’ transaction in which each party has acted knowledgeably, prudently and without compulsion. It is usually comprised of two components, the underlying or ‘Technical Value’ and a premium or discount, relating to market, strategic or other considerations (VALMIN Code,).

**‘Technical Value’** – An assessment of a ‘Mineral Asset’s’ future net economic benefit at the ‘Valuation Date’ under a set of assumptions deemed most appropriate by the ‘Valuer’, excluding any premium or discount to account for market, strategic or other considerations (VALMIN Code,).

**‘Expert’** – Means a ‘Competent’ (and ‘Independent’, where relevant) natural person who prepares and has overall responsibility for the Valuation Report. He/she must have at least 10 years of relevant ‘Minerals Industry’ experience, using a relevant ‘Specialist’ for specific tasks in which he/she is not ‘Competent’. An ‘Expert’ must be a corporate member of an appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (VALMIN Code).

**‘Specialist’** – Means a ‘Competent’ (and ‘Independent’, where relevant) natural person who is retained by the ‘Expert’ to provide subsidiary reports (or sections of the Valuation Report) on matters on which the ‘Expert’ is not personally expert. He/she must have at least 5 years of suitable and preferably recent ‘Minerals Industry’ experience relevant to the subject matter on which he/she contributes. A ‘Specialist’ must be corporate member of appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (VALMIN Code).

**‘Material/Materiality’** - with respect to the contents and conclusions of a relevant Report, it means data and information of such importance that the inclusion or omission of the data or information concerned might result in a reader of the Report reaching a different conclusion than might otherwise be the case. ‘Material’ data (or information) is that which would reasonably be required in order to make an informed assessment of the subject of the Report. The Australian Society of Accountants’ Standard AAS5 indicates that ‘Material’ data (or information) is such that the omission or inclusion of it could lead to changes in total value of greater than 10% (between 5% and 10% it is discretionary). Also the Supreme Court of New South Wales has stated that something is ‘Material’ if it is significant in formulating a decision about whether or not to make an investment or accept an offer (VALMIN Code).

**‘Transparent/Transparency’** - as applied to a valuation it means, as in the Concise Oxford Dictionary, “*easily seen through, of motive, quality, etc*”. It applies to the factual information used, the assumptions made and the methodologies applied, all of which must be made plain in the Report (VALMIN Code).

**‘Competence’** – it means having relevant expertise, qualifications and experience (technical or commercial), as well as, by implication, the professional reputation so as to give authority to statements made in relation to particular matters. (VALMIN Code).

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## General Meeting Proxy form

### Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an 'X' and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. Please note, you cannot change ownership of your securities using this form.

### STEP 1 - Appointment of Proxy

I/We being a member/s of Promesa Limited and entitled to attend and vote hereby appoint

the Chairman of the Meeting  
(mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the General Meeting of Promesa Limited to be held at the office of BDO Australia, 38 Station Street, Subiaco, Western Australia on **16 October 2015 at 10:00 am (WST)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit. **The Chairman will vote all undirected proxies in favour of all Resolutions.**

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_%

### STEP 2 - Voting directions to your Proxy – please mark to indicate your directions

#### Ordinary Business

	For	Against	Abstain
Resolution 1 Change to nature and scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Consolidation of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Creation of a new class of Securities (Performance Shares)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Issue of Consideration Securities to Key Idea Holdings and increase in relevant interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Issue of Securities to a related party, Armada Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Issue of Shares to Dean Bannister	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Election of Director, David Whitaker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 Election of Director, Christopher Jones	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 Election of Director, Christopher Adams	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 Change of Company name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 Issue of Shares under Series A Convertible Loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13 Issue of Shares under Series B Convertible Loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14 Issue of Shares under Series A Convertible Loan to a related party	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15 Issue of Shares to Noteholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 16 Issue of Shares to a related party, Simon Nominees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 17 Ratification of prior issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### STEP 3 - Please sign here

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

#### Individual or Securityholder 1

Sole Director and Sole Company Secretary

#### Securityholder 2

Director

#### Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

**YOUR VOTE IS IMPORTANT. FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 10:00am (WST), 14 OCTOBER 2015**

**TO VOTE BY COMPLETING THE PROXY FORM**

**STEP 1 Appointment of Proxy**

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

**Proxy which is a Body Corporate**

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an 'Appointment of Corporate Representative' prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

**Appointment of a Second Proxy**

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

**STEP 2 Voting Directions to your Proxy**

You can tell your Proxy how to vote.

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

**STEP 3 Sign the Form**

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders must sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

**STEP 4 Lodgement of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting (**10:00 am (WST) on 14 October 2015**). Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged:

**BY MAIL - PO Box 1156, Nedlands, WA 6909**

**BY FAX - +61 8 9262 3723**

**IN PERSON - 110 Stirling Highway, Nedlands, WA 6009.**

**Attending the Meeting**

If you wish to attend the meeting please bring this form with you to assist registration.