
BLACK ROCK MINING LIMITED

ACN 094 551 336

NOTICE OF GENERAL MEETING

TIME: 10am WST

DATE: 18 December 2015

PLACE: 50 Ord Street, West Perth WA 6005

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 9320 7550.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 50 Ord Street West Perth WA 6005 on 18 December 2015 at:

10am WST

Your vote is important

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

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 Meeting are those who are registered Shareholders on 16 December 2015 at 4pm WST.

Voting in person

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

Voting by proxy

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

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

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

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

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

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

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

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

Transfer of non-chair proxy to chair in certain circumstances

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

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

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

BUSINESS OF THE MEETING

AGENDA

1. **RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SHARES TO KABUNGA HOLDINGS PTY LTD**

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 1,000,000 Shares to Kabunga Holdings Pty Ltd as trustee for the Kabunga Family Account on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. **RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF INITIAL PLACEMENT OF SHARES AND OPTIONS (TRANCHE 1 PLACEMENT)**

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 20,116,894 Shares and 10,058,444 Options (exercisable at \$0.075 on or before 30 November 2018) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. **RESOLUTION 3 – PLACEMENT OF SHARES AND OPTIONS (TRANCHE 2 PLACEMENT)**

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 46,549,773 Shares and 23,274,887 Options (subject to rounding) (exercisable at \$0.075 on or before 30 November 2018) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. **RESOLUTION 4 – APPROVAL OF ISSUE OF PLACEMENT SECURITIES TO THE COPULOS GROUP UNDER THE PLACEMENT**

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 3, for the purposes of Section 611 (Item 7) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to:

- (a) 13,333,333 Shares (**New Shares**); and
- (b) 6,666,667 Options (**New Options**) (exercisable at \$0.075 on or before 30 November 2018),

to the Copulos Group as follows:

- (c) 4,666,666 Shares and 2,333,333 Options to Spacetime Pty Ltd as trustee for the Copulos Exec S/Fund No.1 A/C;
- (d) 4,666,666 Shares and 2,333,333 Options to Citywest Corp Pty Ltd as trustee for the Copulos Sunshine Unit A/C; and
- (e) 4,000,000 Shares and 2,000,000 Options to Eyeon Investments Pty Ltd ATF Eyeon Investments Family Trust,

(together, the **Participating Copulos Entities**) on the terms and conditions set out in the Explanatory Statement, and as a result of:

- (f) the issue of the New Shares;
- (g) the exercise of the New Options by the Participating Copulos Entities and the existing Options held by the Copulos Group; and
- (h) the vesting of the existing Performance Rights held by Eyeon Investments,

when calculated with the existing Shares held by the Copulos Group, to increase the voting power of the Copulos Group to up to 29.7%.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by the Copulos Group (or any of its Associates) or any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed. However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Expert’s Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Section 611 Item 7 of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company. **The Independent Expert has concluded that the issue of the New Shares is reasonable but not fair to the non-associated shareholders.**

5. **RESOLUTION 5 – PARTICIPATION OF MR GABRIEL CHIAPPINI IN THE PLACEMENT**

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 3, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 533,333 Shares and 266,666 Options (exercisable at \$0.075 on or before 30 November 2018) under the Placement to Mr Gabriel Chiappini (or his nominee) 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 Mr Gabriel Chiappini (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – PARTICIPATION OF MR STEVEN TAMBANIS IN THE PLACEMENT

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 3, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 800,000 Shares and 400,000 Options (exercisable at \$0.075 on or before 30 November 2018) under the Placement to Mr Steven Tambanis (or his nominee) 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 Mr Steven Tambanis (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – ISSUE OF SHARES IN CONSIDERATION FOR EXERCISE OF THE BAGAMOYO OPTION

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 4,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 8 – ISSUE OF OPTIONS TO GLENEAGLE SECURITIES

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

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 2,000,000 Options (exercisable at \$0.075 on or before 30 November 2018) to Gleneagle Securities Pty Limited (or their nominees) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 18 November 2015

By order of the Board

Gabriel Chiappini
Director

EXPLANATORY STATEMENT

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

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SHARES TO KABUNGA HOLDINGS PTY LTD

1.1 General

As announced on 14 October 2015, the Company has entered into an exclusive option agreement with Kabunga Holdings Pty Ltd (**Kabunga**) to acquire a 100% interest in seven contiguous mineral exploration permits (**Permits**), collectively known as the Bagamoyo Graphite Project (**Project**) (**Option Agreement**).

On 29 October 2015, the Company announced that the condition for the payment of the option fee under the Option Agreement had been satisfied, and on 6 November 2015, the Company issued to Kabunga 1,000,000 Shares, together with a cash payment of US\$50,000 as the fee for the option (**Option Fee**).

In consideration for payment of the Option Fee, the Company has a four month exclusive period which commenced on 12 October 2015 to explore the Project (**Option Period**) which may be extended by mutual agreement of the parties.

A summary of the terms of the Option Agreement is set out in the Company's announcement to ASX on 14 October 2015 and also in the prospectus lodged by the Company on 5 November 2015.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 1,000,000 Option Fee Shares (**Option Fee Ratification**).

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

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, 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 without the requirement to obtain prior Shareholder approval.

1.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Option Fee Ratification:

- (a) 1,000,000 Shares were issued;
- (b) the Shares were issued for nil cash consideration in consideration for the grant of the option to acquire the Permits;

- (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 Kabunga Holdings Pty Ltd as trustee for the Kabunga Family Account, who is not a related party of the Company; and
- (e) no funds were raised from this issue as the Shares were issued in consideration for the grant of the option to explore the Permits.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF INITIAL PLACEMENT SHARES AND OPTIONS (TRANCHE 1 PLACEMENT)

2.1 General

On 29 October 2015, the Company announced that it had received commitments for a capital raising of up to \$5 million to be undertaken in two tranches (**Placement**) at 7.5 cents together with one Option for every two Shares issued.

The funds raised from the Placement will be used towards the acquisition and exploration of the new Bagamoyo Graphite Project as announced on 14 October 2015.

On 6 November 2015, the Company announced that it had issued 20,116,894 Shares and 10,058,444 Options to raise \$1,508,767 under the first tranche of the Placement.

Resolution 2 seeks Shareholder ratification of the Tranche 1 Placement pursuant to ASX Listing Rule 7.4 for the issue of those Shares and Options (**Tranche 1 Ratification**).

A summary of ASX Listing Rule 7.1 and 7.4 is set out in section 1.1 above.

By ratifying this issue, 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 without the requirement to obtain prior Shareholder approval.

2.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Tranche 1 Ratification:

- (a) 20,116,894 Shares and 10,058,444 Options were issued;
- (b) the issue price per Share was \$0.075 and the issue price of the Options was nil as they were issued free attaching with the Shares on a 1 for 2 basis;
- (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 Options are exercisable at \$0.075 on or before 30 November 2018 and will be issued on the terms and conditions set out in Schedule 1;

- (e) the Shares and Options were issued to sophisticated and institutional investors introduced by Gleneagle Securities. None of these subscribers are related parties of the Company; and
- (f) the funds raised from this issue were used for the acquisition and exploration of the new Bagamoyo Graphite Project.

3. RESOLUTION 3 – PLACEMENT OF SHARES AND OPTIONS (TRANCHE 2 PLACEMENT)

3.1 General

Resolution 3 seeks Shareholder approval for the issue of the Tranche 2 Placement of up to 46,549,773 Shares and 23,274,887 Options at an issue price of \$0.075 per Share to raise up to \$3,491,233 (**Tranche 2 Placement**).

Resolutions 4, 5 and 6 seek approval for each of the Directors (or their nominated entities) to participate in tranche 2 of the Placement. It is intended, as at the date of this Notice, that any Shares and Options issued to the Directors (or their nominees) under those Resolutions will be deducted from the Shares and Options issued under this Resolution 3.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 3 will be to allow the Company to issue the Shares and Options pursuant to the Tranche 2 Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Tranche 2 Placement:

- (a) the maximum number of Shares to be issued is 46,549,773 and the maximum number of Options to be issued is 23,274,887 (subject to rounding);
- (b) the Shares and Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares and Options will occur on the same date;
- (c) the issue price will be \$0.075 per Share and nil per Option as the Options will be issued free on the basis of 1 Option for every 2 Shares issued;
- (d) the Shares and Options will be issued to Section 708 exempt investors introduced by Gleneagle Securities. None of these subscribers are related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Options are exercisable at \$0.075 on or before 30 November 2018 and will be issued on the terms and conditions set out in Schedule 1; and

- (g) the Company intends to use the funds raised from the Placement towards the acquisition and exploration of the new Bagamoyo Graphite Project.

4. RESOLUTION 4 – APPROVAL OF ISSUE OF SECURITIES TO THE COPULOS GROUP UNDER THE PLACEMENT

4.1 Background

The Participating Copulos Entities are entities associated with Director, Mr Stephen Copulos, and form part of the Copulos Group. The Copulos Group is a significant shareholder in the Company. For the purpose of this Resolution 4, the **Copulos Group** refers to:

- (a) Mr Stephen Copulos;
- (b) Supermax Pty Ltd;
- (c) Eyeon No. 2 Pty Ltd;
- (d) Citywest Corp Pty Ltd;
- (e) Spacetime Pty Ltd; and
- (f) Eyeon Investments Pty Ltd.

At the Company's Shareholder meeting held on 4 March 2015, Shareholders approved Eyeon Investments Pty Ltd (**Eyeon Investments**) acquiring a potential voting power in the Company of up to 34.89% on the basis of:

- (a) the issue of 31,221,598 Shares to Eyeon Investments or entities associated with Eyeon Investments under the Company recapitalisation;
- (b) the issue of 15,000,000 options to Eyeon Investment or entities associated with Eyeon Investments and the subsequent exercise of those options; and
- (c) the issue of 1,675,000 performance rights to Eyeon Investments or entities associated with Eyeon Investments and the subsequent vesting of those performance rights.

On the basis of the capital structure of the Company at the time of the issue of those Securities, the Company calculated that the potential existed for the voting power of Eyeon Investments to reach up to 34.89%.

As at the date of this Notice of Meeting, the current voting power of the Copulos Group is 22.3% and as at the date of this Notice of Meeting none of the options or performance rights previously issued to the Copulos Group have been exercised or vested.

In addition, since 4 March 2015, the Company has issued additional Shares in the Company, by way of oversubscriptions from the capital raising undertaken by the Company as part of its re-capitalisation (May 2015), as consideration for the acquisition of the option over the Bagamoyo licences (November 2015) and the first tranche of the Placement (November 2015, which have had the effect that the maximum voting power that Eyeon Investments may acquire in the Company has decreased.

Nevertheless, pursuant to Section 606 of the Corporations Act, generally speaking, a person holding a voting power in the Company greater than 20% is

prohibited from increasing that interest unless the transaction by which the voting power increases is approved by Shareholders (per Section 611, item 7 of the Corporations Act).

On this basis, notwithstanding that Shareholders have previously approved the Copulos Group acquiring a greater voting power than it is now intended to acquire, given that the Company proposes issuing new Shares and Options to the Participating Copulos Entities outside of what Shareholders have previously approved, the Company is seeking approval under Section 611, item 7 of the Corporations Act such that the voting power of the Copulos Group can increase up to limit specified in Resolution 4 through:

- (a) holding of Shares already held by the Copulos Group and those proposed to be issued under this Notice of Meeting;
- (b) the exercise of the Options held by the Copulos Group and those proposed to be issued under this Notice of Meeting; and
- (c) the vesting of the Performance Rights previously issued to Eyeon Investments.

4.2 Security issues under Resolution 4 and ASX Listing Rule requirements

Under Resolution 4 it is proposed to issue 13,333,333 New Shares and 6,666,667 New Options under the Tranche 2 Placement to the Participating Copulos Entities.

In addition, approval under Listing Rule 10.11 is sort because Mr Copulos is a Director of the Company and is an associate of the Participating Copulos Entities. ASX Listing Rule 10.11 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. If Shareholders approve the issue of securities pursuant to Resolution 4, 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 without the requirement to obtain prior Shareholder approval.

4.3 Item 7 of Section 611 of the Corporations Act

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

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

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

(Prohibition).

(b) **Voting Power**

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

(c) **Copulos Group existing holding in the Company**

The Copulos Group currently holds the following Shares and/or Options in the Company:

Current holdings of the Copulos Group:

Shares	Options	Performance Rights	Voting Power
51,046,838	16,291,080	1,675,000	22.3% ¹

1. Based on a total of 228,972,506 Shares on issue in the Company as at 6 November 2015 which includes the issue of 20,000 Shares pursuant to the Prospectus issued by the Company dated 5 November 2015.

Following the Placement, the Copulos Group interest in Shares, Options and Performance Rights in the Company and resulting voting power in the Company, will be as follows:

Holdings of Copulos Group following the Issue

Shares	Options	Performance Rights	Voting Power ¹
64,380,172	22,957,747	1,675,000	23.4% ¹

1. Following the issue of 66,666,667 Shares under the Placement assuming full subscription (but does not include the exercise of the Options and conversion of Performance Rights).

(d) **Associates**

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

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

- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

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

(e) **Relevant Interests**

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

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

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

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

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

(f) **Associates of the Participating Copulos Entities under the Capital Raising**

For the purpose of the Corporations Act, the following persons are deemed to be associates:

- (i) Mr Stephen Copulos;
- (ii) Supermax Pty Ltd;
- (iii) Eyeon No.2 Pty Ltd;
- (iv) Citywest Corp Pty Ltd;
- (v) Spacetime Pty Ltd; and
- (vi) Eyeon Investments.

The nature of the association is summarised below:

Name of party to whom "Associate" reference relates	Name of Associate	Reason for association
Eyeon Investments Pty Ltd	Stephen Copulos	Director and controller of Eyeon Investments Pty Ltd, Supermax Pty Ltd and Eyeon No.2 Pty Ltd
Eyeon Investments Pty Ltd	Supermax Pty Ltd	Controlled by Stephen

Name of party to whom "Associate" reference relates	Name of Associate	Reason for association
		Copulos
Eyeon Investments Pty Ltd	Eyeon No.2 Pty Ltd	Controlled by Eyeon Investments
Eyeon Investments Pty Ltd	Citywest Corp Pty Ltd	Stephen Copulos is a Director of Citywest Corp Pty Ltd
Citywest Corp Pty Ltd	Stephen Copulos	Director of Citywest Corp Pty Ltd
Citywest Corp Pty Ltd	Supermax Pty Ltd, Eyeon No. 2 Pty Ltd, Eyeon Investments Pty Ltd and Spacetime Pty Ltd	Eyeon Investments Pty Ltd, Supermax Pty Ltd and Eyeon No.2 Pty Ltd controlled by Stephen Copulos, Spacetime acting concert with Stephen Copulos
Spacetime Pty Ltd	Stephen Copulos	Acting in concert through the association with the Copulos Exec S/Fund No. 1 A/C
Spacetime Pty Ltd	Supermax Pty Ltd, Eyeon No. 2 Pty Ltd, Eyeon Investments Pty Ltd and Citywest Corp Pty Ltd	Eyeon Investments Pty Ltd, Supermax Pty Ltd and Eyeon No.2 Pty Ltd controlled by Stephen Copulos, Stephen Copulos is a Director of Citywest Corp Pty Ltd

(g) **Control**

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

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

4.4 Reason Section 611 Approval is Required

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

Following the issue of the New Shares to the Participating Copulos Entities, the Copulos Group will have a relevant interest in 64,380,172 Shares in the Company, representing a 23.4% voting power in the Company. This assumes that no other Shares are issued (other than the full subscription amount under the Placement), Options exercised or performance rights converted.

Further, following the issue of the New Options under the Placement, the Copulos Group will be entitled to exercise the New Options and any existing options resulting in the issue of up to 22,957,747 additional Shares. Assuming all existing Options and New Options held by the Copulos Group have been exercised, this would increase the Copulos Group's voting power to 29.3%. This

also assumes that no other Shares are issued, Options are exercised or performance rights converted.

Eyeon Investments also holds an interest in 1,675,000 Performance Rights. Where the performance hurdles of those Performance Rights are met, 1,675,000 new Shares will be issued to Eyeon Investments. This would increase the voting power of the Copulos Group to 29.7%.

Accordingly, Resolution 4 seeks Shareholder approval for the purpose of Section 611 Item 7 and all other purposes to enable the Company to issue the New Securities to the Participating Copulos Entities and to enable the Copulos Group to exercise the New Options, existing Options and Performance Rights.

In addition, the Associates identified in section 4.3(f) above will have a relevant interest in any securities held by the Participating Copulos Entities .

Shareholder approval is required to enable these parties to acquire a relevant interest in the securities issued to the Participating Copulos Entities as their voting power in the Company could also increase above 20%.

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

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by RSM Financial Services Australia Pty Ltd (**RSM**) annexed to this Explanatory Statement.

(a) Identity of the Acquirer and its Associates

It is proposed that the Participating Copulos Entities will be issued the New Securities as set out in Section 4.1 of this Explanatory Memorandum.

The identity of the Associates of the Participating Copulos Entities and the nature of their relevant interest is summarised in Section 4.3(f) of this Explanatory Statement.

(b) Relevant Interest and Voting Power

Relevant Interest

The relevant interests of each entity within the Copulos Group in voting shares in the capital of the Company (both current, and following the issue of the New Securities to the Participating Copulos Entities as contemplated by this Notice) are set out in the table below:

Party	Relevant Interest as at the date of this Notice of Meeting	Relevant Interest after the issue of the New Shares and New Options	Relevant Interest after exercise of the New Options and existing Options	Relevant Interest after exercise of New Options, existing Options and conversion of Performance Rights
Stephen Copulos	38,117,424	42,117,424	59,117,424	60,792,424
Eyeon Investments Pty Ltd	38,117,424	42,117,424	59,117,424	60,792,424
Supermax Pty Ltd	6,066,667	6,066,667	7,357,747	7,357,747

Party	Relevant Interest as at the date of this Notice of Meeting	Relevant Interest after the issue of the New Shares and New Options	Relevant Interest after exercise of the New Options and existing Options	Relevant Interest after exercise of New Options, existing Options and conversion of Performance Rights
Eyeon No.2 Pty Ltd	6,362,747	6,362,747	6,362,747	6,362,747
Citywest Corp Pty Ltd	500,000	5,166,666	7,499,999	7,499,999
Spacetime Pty Ltd	Nil	4,666,666	6,999,999	6,999,999

The Copulos Group does not have any contract, arrangement or understanding relating to the controlling or influencing of the composition of the Company's board or the conduct of the Company's affairs, nor are any of those persons proposing to act in concert in relation to the Company's affairs.

(i) **Voting Power**

The maximum voting power of the Copulos Group (both current, and following the issue of the New Securities to the Participating Copulos Entities as contemplated by this Notice) is set out in the table below:

Party	As at the date of this Notice of Meeting	After issue of the New Shares and New Options	After exercise of the New Options and existing Options	After exercise of the New Options, existing Options and conversion of the Performance Rights
Copulos Group	22.3%	23.4%	29.3%	29.7%

Further details on the voting power of the Copulos Group are set out in the Independent Expert's Report prepared by RSM.

(ii) **Summary of increases**

From the above chart it can be seen that the maximum relevant interest that the Copulos Group will hold after completion of the Issue (and after the exercise of all of the existing Options, New Options and conversion of Performance Rights) is 89,012,918 Shares, and the maximum voting power that will hold is 29.7%. This represents a maximum increase in voting power of 7.4% (being the difference between 22.3% and 29.7%).

(iii) **Assumptions**

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

- (A) the Company has 228,972,506 Shares on issue as at the date of this Notice of Meeting;
- (B) the Company does not issue any additional Shares other than pursuant to the Placement, the New Options, the existing Options and the Performance Rights;

- (C) no other Existing Options are exercised, except the existing Options held by the Copulos Group;
- (D) the Copulos Group does not acquire any additional Shares other than under the New Options and existing Options exercise or conversion of the Performance Rights; and
- (E) The minimum equity is raised based on \$5,000,000 raising through the issue of 66,666,667 shares and 33,333,333 options.

(c) **Reasons for the proposed issue of securities**

As set out in Section 4.1 of this Explanatory Statement, the reason for the issue of securities to the Participating Copulos Entities is to assist the Company in the completion of the Placement.

(d) **Date of proposed issue of New Securities**

The New Securities the subject of Resolution 4 will be issued on a date after the Meeting to be determined by the Company.

(e) **Material terms of proposed issue of New Securities**

As set out in section 4.1 of this Explanatory Statement, the Company is proposing to issue:

- (i) 13,333,333 New Shares at a price of \$0.075 per Share; and
- (ii) 6,666,667 New Options for nil cash consideration on the terms set out in Schedule 1;

(f) **Copulos Group Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that the Copulos Group:

- (i) continues to support the present direction of the Company;
- (ii) has no present intention of making any significant changes to the business of the Company;
- (iii) has no present intention to inject further capital into the Company;
- (iv) has no present intention regarding the future employment of the present employees of the Company;
- (v) does not intend to redeploy any fixed assets of the Company;
- (vi) does not intend to transfer any property between the Company and the Copulos Group; and
- (vii) has no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to the Copulos Group under the Placement at the date of this document.

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

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

None of the current Board members (other than Mr Copulos) has a material personal interest in the outcome of Resolution 4.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4. The Director's recommendations are based on the reasons outlined in section 4.6 below.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4.

(h) **Capital Structure**

The New Securities are being issued as part of the Placement and transaction to acquire the new graphite assets in Tanzania. The New Shares and New Options issued to the Participating Copulos Entities will be deducted from the Shares and Options issued under Resolution 3.

4.6 Advantages of the Issue

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 4:

- (a) the issue of the New Shares to the Participating Copulos Entities will assist the Company complete the Placement;
- (b) the funds raised will enable the Company to complete the acquisition and exploration of the new Bagamoyo Graphite Project;
- (c) the Copulos Group is a strong institutional shareholder partner who will add value to the Company's strategic goals;
- (d) if the New Options are issued to and exercised by the Participating Copulos Entities, additional funds of \$500,000 will be raised from the exercise price of the New Options;
- (e) The acquisition of the Bagamoyo Graphite Project is a speculative investment by the Company and given the current and general negative sentiment towards early stage mineral exploration, the investment by the Copulos Group provides the Company with scarce early stage capital to enable it to pursue its goal of becoming a Tanzanian focused resources company; and

- (f) RSM has concluded that the issue of the New Shares is reasonable but not fair to the non-associated shareholders.

4.7 Disadvantages of the Issue

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 4:

- (a) the issue of the New Shares to the Participating Copulos Entities will increase the voting power of the Copulos Group from 22.3% to 23.4%, reducing the voting power of non-associated Shareholders in aggregate from 77.7% to 76.6%; and
- (b) the issue of the New Options will not increase the voting power of the Copulos Group, however if all the New Options and existing options issued to the Participating Copulos Entities are exercised and performance shares converted by Eyeon Investments, the issue of Shares upon the exercise of the New Options and conversion of the performance shares will further increase the voting power of the Copulos Group from 23.4% to 29.7% reducing the voting power of non-associated Shareholders in aggregate from 76.6% to 70.3% (assuming no other Shares are issued, no other existing Options exercised and no Performance Rights converted).

4.8 Independent Expert's Report

The Independent Expert's Report prepared by RSM (a copy of which is attached as Schedule 2 to this Explanatory Statement) assesses whether the transactions contemplated by Resolution 4 are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transactions contemplated by Resolution 4 are reasonable but not fair to the non-associated Shareholders of the Company.

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

4.9 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 Shares and Options to Eyeon Investments and Spacetime (**Related Party Participating Copulos Entities**) will result in the issue of Shares and Options which constitutes giving a financial benefit and the Related Party Participating

Copulos Entities are related parties of the Company by virtue of being controlled by or acting in concert with Mr Copulos, who is a Director.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of this issue to the Related Party Participating Copulos Entities because the Shares and Options will be issued to the Related Party Participating Copulos Entities on the same terms as Shares and Options issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

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

4.11 Shareholder Approval

The following information is provided in relation to the proposed issue of the New Shares and New Options:

- (a) the related parties are the Related Party Participating Copulos Entities, being Eyeon Investments and Spacetime, and they are related parties by virtue of being controlled by or acting in concert with Mr Copulos, who is a Director;
- (b) the maximum number of New Shares to be issued is 13,333,333 and the maximum number of New Options to be issued is 6,666,667 Options to the following entities in the following manner:
 - (i) 4,666,666 Shares and 2,333,333 Options to Spacetime Pty Ltd as trustee for the Copulos Exec S/Fund No.1 A/C;
 - (ii) 4,666,666 Shares and 2,333,333 Options to Citywest Corp Pty Ltd as trustee for the Copulos Sunshine Unit A/C; and
 - (iii) 4,000,000 Shares and 2,000,000 Options to Eyeon Investments Pty Ltd ATF Eyeon Investments Family Trust.
- (c) the New Shares and New Options will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issues will occur on the same date;
- (d) the issue price of the New Shares will be \$0.075 per Share and the issue price of the New Options will be nil as they will be issued free attaching with the Shares on a 1 for 2 basis. The Related Party Participating Copulos Entities will be required to subscribe for the Shares and Options under the Placement, but their cumulative applications may not exceed the limited outlined in (b) above;

- (e) the New Shares and New Options will be issued to the Participating Copulos Entities;
- (f) the New 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;
- (g) the New Options are exercisable at \$0.075 on or before 30 November 2018 and will be issued on the terms and conditions set out in Schedule 1;
- (h) funds raised from the New Shares issued under Resolution 4 will be used together with the funds raised under Resolution 2 and used in the same manner outlined in Section 3.2(g) above.
- (i) the value of the New Shares is \$1,000,000 based on the consideration paid per Share of \$0.075. The value of the Options and the pricing methodology is set out in Schedule 3;
- (j) the relevant interests of the Related Party Participating Copulos Entities in securities of the Company are set out below:

Related Party	Shares	Options	Performance Rights ⁴
Spacetime	Nil	Nil	Nil
Eyeon Investments	38,117,424	15,000,000	1,675,000

- (k) the remuneration and emoluments from the Company to Mr Stephen Copulos 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	Previous Financial Year
Stephen Copulos	\$100,000	\$60,801

- (l) if the maximum number of Shares are issued to the Related Party Participating Copulos Entities, a total of 13,333,333 Shares would be issued. If the second tranche of the Placement is fully subscribed, the number of Shares on issue will increase from 228,972,506 to 275,522,279 (assuming that no Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 16.89%, comprising 1.69% by Spacetime, 1.45% by Eyeon Investments and 13.75% by new investors.
- (m) if the maximum number of Options issued to the Related Party Participating Copulos Entities are exercised, a total of 4,333,333 Shares would be issued. This will increase the number of Shares on issue from 275,522,279 to 279,855,612 (assuming that no Options are exercised and no shares other than the second tranche of the Placement are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 1.54%, comprising 0.83% by Spacetime and 0.71% by Eyeon Investments.

The market price for Shares during the term of the Options 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.

- (n) 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	\$0.105	14 October 2015
Lowest	\$0.002	17 November 2014 to 30 March 2015
Last	\$0.066	18 November 2015

- (o) the primary purpose of the issue of the Shares and Options in the Tranche 2 Placement is to indicate the ongoing support of the Company by Mr Stephen Copulos and the Copulos Group to ensure that the Company can raise the balance of the \$5,000,000 proposed under the Placement;
- (p) Mr Copulos declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution on the basis that the Copulos Group is to be issued Shares and Options in the Company should Resolution 4 be passed;
- (q) with the exception of Mr Copulos, no other Director has a personal interest in the outcome of Resolution 4; and
- (r) Mr Gabriel Chiappini and Mr Steven Tambanis recommend that Shareholders vote in favour of Resolution 4 for the reasons set out in Section 4.6.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue to the Related Party Participating Copulos Entities as approval is being sought under ASX Listing Rule 10.11. Accordingly, the issue of Shares to the Related Party Participating Copulos Entities will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

5. RESOLUTIONS 5 AND 6 – PARTICIPATION OF MR CHIAPPINI AND MR TAMBANIS IN THE PLACEMENT

5.1 General

Pursuant to Resolutions 5 and 6, the Company is seeking Shareholder approval to enable existing Directors, Mr Gabriel Chiappini and Steven Tambanis (or their nominated entities) (**Directors**) to each participate in the Placement a cumulative amount of up to 1,333,333 Shares and 666,666 Options on the same terms and conditions as other investors under the Placement (**Participation**).

Any Shares and Options issued to the Directors will be deducted from the Shares and Options issued under Resolution 3.

5.2 Chapter 2E of the Corporations Act

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

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

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

The Participation will result in the issue of Shares and Options which constitutes giving a financial benefit and the Directors are each a related party of the Company by virtue of being a Director.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of this Participation because the Shares and Options will be issued to the Directors on the same terms as Shares and Options issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms. However, because each Director may be considered to have a material personal interest in the proposed Participation, the Board accordingly exercises their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve.

5.3 ASX Listing Rule 10.11

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

As the participation in the 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.

5.4 Shareholder Approval

The following information is provided in relation to the proposed issue of the Shares and Options:

- (a) the related parties are Messrs Gabriel Chiappini and Steven Tambanis and they are related parties by virtue of Directors;
- (b) the maximum number of Shares and Options (being the nature of the financial benefit being provided) to be issued to the Directors (or their nominees) is:

	Shares	Options
Mr Gabriel Chiappini	533,333	266,666
Mr Steven Tambanis	800,000	400,000

- (c) the Shares and Options will be issued to the Directors 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 Shares and Options will be issued on one date;

- (d) the issue price will be \$0.075 per Share, being the same as all other Shares issued under the Placement. The Options will be issued for nil cash consideration. Each Director will be required to subscribe for the Shares and Options under the Placement, but their cumulative applications may not exceed the limited outlined in (b) above;
- (e) the funds raised will be used for the same purposes as all other funds raised under the Placement as set out in section 3.2(g) of this Explanatory Statement;
- (f) 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;
- (g) the Options are exercisable at \$0.075 on or before 30 November 2018 and will be issued on the terms and conditions set out in Schedule 1;
- (h) the value of the Shares is \$100,000 based on the consideration paid per Share of \$0.075. The value of the Options and the pricing methodology is set out in Schedule 3;
- (i) the relevant interests of the Directors in securities of the Company are set out below:

Related Party	Shares	Options	Performance Rights ³
Gabriel Chiappini ¹	850,000	325,000	1,675,000
Steven Tambanis ²	2,601,315	1,000,000	3,350,000

- Held as follows: 750,000 Shares and 325,000 Options (75,000 6 cent Options expiring 28/11/2016 and 250,000 5 cent Options expiring 20/3/2017) and 1,675,000 Performance Rights held by G & R Chiappini as trustee for the Gran Sasso Family Account.
- Shares, Options (5 cent Options expiring 20/3/2017) and Performance Rights held by Steven Tambanis.
- The Performance Rights are subject to certain vesting conditions. A summary of the terms and conditions of the Performance Rights are set out in the notice of meeting announced on 29 January 2015.

- (j) the remuneration and emoluments from the Company to the Directors 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	Previous Financial Year
Gabriel Chiappini	\$66,000	\$121,916
Steven Tambanis	\$220,000	\$119,066

- (k) if the maximum number of Shares are issued to the Directors, a total of 1,333,333 Shares would be issued. If the second tranche of the Placement is fully subscribed, the number of Shares on issue will increase from 228,972,506 to 275,522,279 (assuming that no Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 16.89%.
- (l) if the maximum number of Options issued to the Directors are exercised, a total of 666,666 Shares would be issued. This will increase the number of Shares on issue from 275,522,279 to 276,168,945 (assuming that no

Options are exercised and no shares other than the second tranche of the Placement are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.23%.

The market price for Shares during the term of the Options 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 in Section 4.11(n) above;
- (n) the Board acknowledges the grant of Options to Mr Chiappini is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of Options to Mr Chiappini reasonable in the circumstances for the reason set out in paragraph (n);
- (o) the primary purpose of the issue of the Shares and Options in the Tranche 2 Placement is to indicate the ongoing support of the Company by the Directors to ensure that the Company can raise the balance of the \$5,000,000 proposed under the Placement;
- (p) Mr Chiappini declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution on the basis that Mr Chiappini is to be issued Shares and Options in the Company should Resolution 5 be passed. However, in respect of Resolution 6, Mr Chiappini recommends that Shareholders vote in favour of that Resolution for the purpose set out in paragraph (o);
- (q) Mr Tambanis declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution on the basis that Mr Tambanis is to be issued Shares and Options in the Company should Resolution 6 be passed. However, in respect of Resolution 5, Mr Tambanis recommends that Shareholders vote in favour of that Resolution for the purpose set out in paragraph (o);
- (r) with the exception of Mr Chiappini and Mr Tambanis, no other Director has a personal interest in the outcome of Resolutions 5 and 6;
- (s) Mr Copulos recommends that Shareholders vote in favour of Resolutions 5 and 6 for the reasons set out in paragraph (o);
- (t) in forming their recommendations, each Director considered the experience of each other Director, the current market price of Shares, the current market practices when determining the number of Shares and Options (as well as the exercise price and expiry date of those Options) to be issued; and
- (u) 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 Resolutions 5 and 6.

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

6. RESOLUTION 7 – ISSUE OF SHARES IN CONSIDERATION FOR EXERCISE OF OPTION

6.1 General

As announced on 14 October 2015 and as set out in Section 1.1, the Company entered into the Option Agreement with Kabunga to acquire a 100% interest in the Permits known as the Bagamoyo Graphite Project.

The Company is conducting exploration on the Permits and subject to meeting a minimum spending obligation of \$100,000 during the Option Period may choose to exercise the Option whereupon the Company will issue 4,000,000 Shares to Kabunga (as well as a cash payment of US\$200,000).

A summary of the terms of the Option Agreement is set out in the Company's announcement to ASX dated 14 October 2015 and also in its prospectus dated 5 November 2015.

Resolution 7 seeks Shareholder approval for the issue of the 4,000,000 Shares on exercise of the Option on the basis that the Directors choose to exercise the option following the due diligence on the permits under the Option Agreement.

A summary of ASX Listing Rule 7.1 is set out in section 1.1 above.

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

6.2 Technical information required by ASX Listing Rule 7.1

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

- (a) the maximum number of Shares to be issued is 4,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration in satisfaction of exercise of the Option;
- (d) the Shares will be issued to Kabunga Holdings Pty Ltd as trustee for the Kabunga Family Account, who is not a related party of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the Option Placement as the Shares are being issued in consideration for the exercise of the Option.

7. RESOLUTION 8 – PLACEMENT OF OPTIONS TO GLENEAGLE SECURITIES

7.1 General

The Company entered into a mandate agreement with Gleneagle (**Mandate**) whereby Gleneagle Securities will act as lead manager and broker in relation to the Placement. The terms of the Mandate are summarised in the Company's prospectus dated 5 November 2015.

As set out in Section 3.1 above, the Company will pay a Success Fee which includes the issue of 2,000,000 Options to Gleneagle (or its nominee). The Company will, in addition, reimburse Gleneagle for any reasonable costs and expenses incurred in connection with the services under the Mandate.

Resolution 8 seeks Shareholder approval for the issue of 2,000,000 Options in consideration for services provided by Gleneagle Securities.

A summary of ASX Listing Rule 7.1 is set out in section 1.1 above.

The effect of Resolution 8 will be to allow the Company to issue the Options pursuant to the Gleneagle Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Technical information required by ASX Listing Rule 7.1

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

- (a) the maximum number of Options to be issued is 2,000,000;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (c) the Options will be issued for nil cash consideration in satisfaction of services provided by Gleneagle pursuant to the Mandate;
- (d) the Options will be issued to Gleneagle (or its nominee), who is not a related party of the Company;
- (e) the Options are exercisable at \$0.075 on or before 30 November 2018 and will be issued on the terms and conditions set out in Schedule 1; and
- (f) no funds will be raised from the Placement as the Options are being issued in consideration for services provided under the Mandate.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities & Investments Commission.

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

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

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

Chair means the chair of the Meeting.

Company means Black Rock Mining Limited (ACN 094 551 336).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

Gleneagle Securities means Gleneagle Securities Pty Limited (ABN 58 136 930 526).

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

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

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

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

Shareholder means a registered holder of a Share.

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

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.075 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 30 November 2018 (**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 Exercise Date, the Company will:

- (i) 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;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

(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) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Transferability**

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

SCHEDULE 2 – INDEPENDENT EXPERT’S REPORT

Please refer to separate booklet contained within the shareholder notice of meeting envelope for the Independent Expert’s Report.

The Independent Expert’s Report is to be read in conjunction with the Shareholder Notice of Meeting.

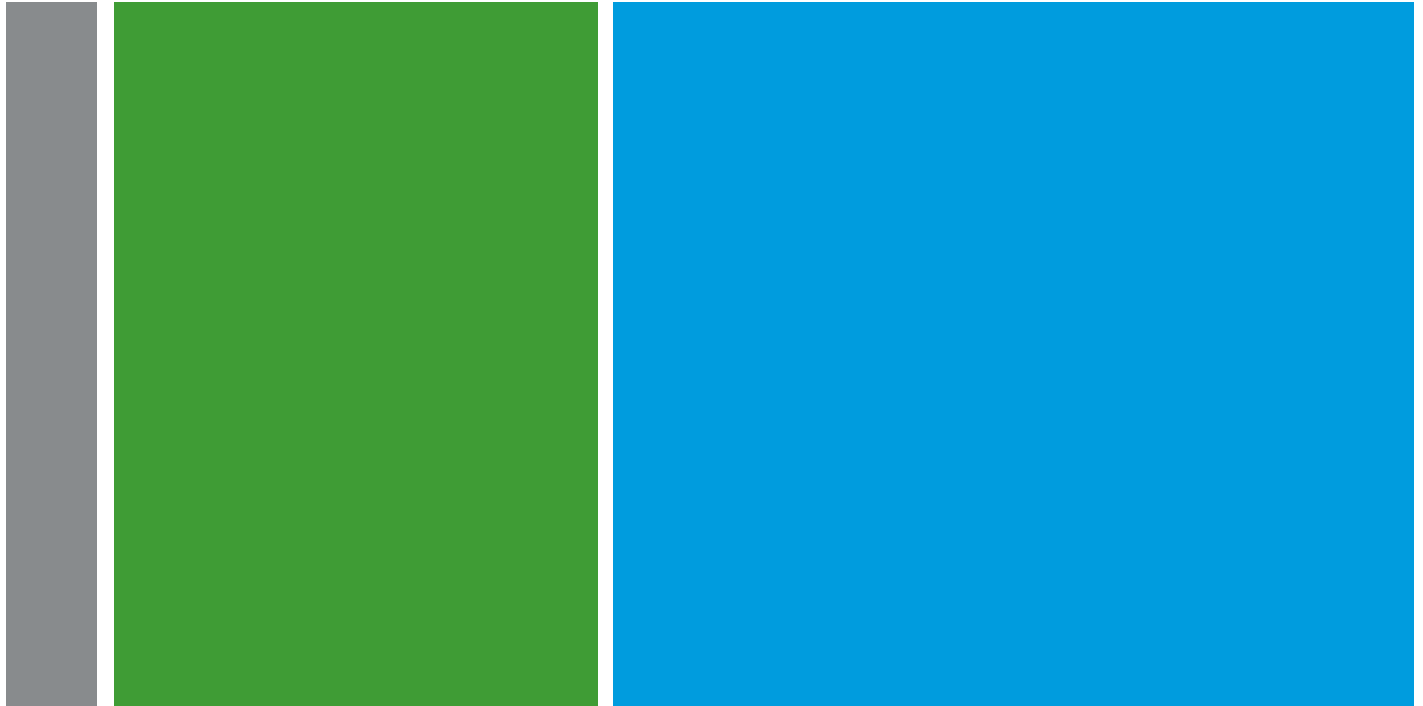
SCHEDULE 3 – VALUATION OF OPTIONS

The Options to be issued to the Directors pursuant to Resolutions 4, 5 and 6 have been valued by internal management.

Using the binomial options pricing model and based on the assumptions set out below, the Options were ascribed the following value:

Assumptions:	
Valuation date	<i>11 November 2015</i>
Market price of Shares	\$0.055
Exercise price	\$0.075
Expiry date (length of time from issue)	<i>30 November 2018</i>
Risk free interest rate	2%
Volatility (discount)	100%
Indicative value per Option	<i>\$0.031137</i>
Total Value of Options	
- <i>Gabriel Chiappini</i>	<i>\$8,303</i>
- <i>Steven Tambanis</i>	<i>\$12,454</i>
- <i>Copulos Group</i>	<i>\$207,580</i>

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



BLACK ROCK MINING LIMITED

Financial Services Guide and Independent Expert's Report
November 2015

**We have concluded that the Proposed Transaction is Not Fair but Reasonable to Shareholders of
Black Rock Mining Limited**

FINANCIAL SERVICES GUIDE

12 November 2015

RSM Financial Services Australia Pty Ltd ABN 22 009 176 354 AFSL 238 282 ("RSM Financial Services Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to provide general financial product advice in the form of an independent expert's report to be provided to you.

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 our services and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing to you under our Australian Financial Services Licence, Licence No 238282;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

Financial services we will provide

For the purpose of our report and this FSG, the financial service which we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking 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. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing various different financial services.. However in respect of the financial services being provided to you by us, fees will be agreed with, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis.. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Of the fee we receive RSM Financial Services Australia Pty Ltd will retain 5% for the provision of licensing services and transfer 95% to RSM Australia. For example if RSM Financial Services Australia Pty Ltd were to be paid \$50,000, we would retain \$2,500 and pay \$47,500 to RSM Australia.

Except for the fees referred to above, neither RSM Financial Services Australia Pty Ltd, 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 of our employees who provide or provided services in relation to the financial services being provided to you receive a salary. However, other employees of RSM Financial Services Australia Pty Ltd may be remunerated in other ways, such as salaries with the entitlement to earn a bonus, depending on meeting revenue, compliance and marketing targets throughout any given financial year. Such other remuneration structures are not relevant to the financial services being provided to you.

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.

Associations and relationships

RSM Financial Services Australia Pty Ltd is wholly owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Financial Services Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

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 should be directed to The Complaints Officer, RSM Financial Services Australia Pty Ltd, PO Box R1253, Perth, WA, 6844, +61 (0) 8 9261 9100

When we receive a 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 company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website 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

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report

Independent Expert's Report

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Appendix 1 – Declarations and Disclaimers

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Appendix 3 – Glossary of Terms

Appendix 4 – Independent Specialist Report

RSM Financial Services Australia Pty Ltd

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Direct Line: (08) 9261 9447
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12 November 2015

Shareholders
Black Rock Mining Limited
Level 1
35 Havelock Street
WEST PERTH WA 6005

Dear Shareholders

Independent Expert's Report ("Report")

1. Introduction

- 1.1. This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of Black Rock Mining Limited ("BKT" or "the Company") to be held on or around 18 December 2015, at which shareholder approval will be sought for (among other things) the issue of 13,333,333 ordinary shares in BKT at an issue price of \$0.075 per share plus free attaching options on a 1 for 2 basis to Mr Stephen Copulos or his associates ("the Copulos Group") ("Proposed Transaction").
- 1.2. The Copulos Group will subscribe for its new shares and options as part of a wider placement to institutional and sophisticated investors totalling \$5 million (including the Copulos Group's subscription) ("Placement") on the same terms as the Proposed Transaction.
- 1.3. If the Proposed Transaction is approved, the Copulos Group could potentially increase its holding from approximately 22% of the issued capital of BKT on an undiluted basis and 29.7% of the issued capital of BKT on a diluted basis (assuming no other optionholder exercises their options).
- 1.4. The Directors of BKT have requested that RSM Financial Services Australia Pty Ltd ("RSM FS"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders").

5

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Financial Services Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Financial Services Australia Pty Ltd ABN 22 009 176 354 Australian Financial Services Licence No. 238282

- 1.5. The request for approval of the Proposed Transaction is included as Resolution 4 in the Notice. Resolution 4 is subject to the approval of Resolution 3 included in the Notice. We have restated these two interdependent resolutions below:

Resolution 3:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 46,549,773 Shares and 23,274,887 Options (subject to rounding) (exercisable at \$0.075 on or before 30 November 2018) on the terms and conditions set out in the Explanatory Statement.”

Resolution 4:

“That, subject to the passing of Resolution 3, for the purposes of Section 611 (Item 7) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to a total of:

(a) 13,333,333 Shares (New Shares); and

(b) 6,666,667 Options (New Options) (exercisable at \$0.075 on or before 30 November 2018),

to the Copulos Group as follows:

(c) 4,666,666 Shares and 2,333,333 Options to Spacetime Pty Ltd as trustee for the Copulos Exec S/Fund No.1 A/C;

(d) 4,666,666 Shares and 2,333,333 Options to Citywest Corp Pty Ltd as trustee for the Copulos Sunshine Unit A/C; and

(e) 4,000,000 Shares and 2,000,000 Options to Eyeon Investments Pty Ltd ATF Eyeon Investments Family Trust

on the terms and conditions set out in the Explanatory Statement, (together, the Participating Copulos Entities) and as a result of:

(f) the issue of the New Shares;

(g) the exercise of the New Options by the Participating Copulos Entities and the existing Options held by the Copulos Group; and

(h) the vesting of the existing Performance Rights held by Eyeon Investments,

when calculated with the existing Shares held by the Copulos Group, to increase the voting power of the Copulos Group to up to 29.7%.”

- 1.6. When considering the Proposed Transaction, we have included any impact Resolution 3 will have on fairness and reasonableness. We have considered all related resolutions, conditions and revised terms as part of the Proposed Transaction because, without them, the Proposed Transaction cannot complete.
- 1.7. The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder’s assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and Conclusion

Opinion

- 2.1. In our opinion, and for the reasons set out in Sections 9 and 10 of this Report, the Proposed Transaction is **not fair but reasonable** to the Non-Associated Shareholders of BKT.

Approach

- 2.2. In assessing whether the Proposed Transaction is fair and reasonable to the non-associated shareholders, we have considered Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – Content of Expert Reports (“RG 111”), which provides specific guidance as to how an expert is to appraise transactions.
- 2.3. Where an issue of shares by a company otherwise prohibited under section 606 of the Act is approved under item 7 of section 611, and the effect on the company shareholding is comparable to a takeover bid, such as the Proposed Transaction, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 2.4. Therefore we have considered whether or not the Proposed Transaction is “fair” to the Non-Associated Shareholders by assessing and comparing:
- The Fair Value of a share in BKT on a control basis pre the Proposed Transaction; with
 - The Fair Value of a share in BKT on a non-control basis immediately post completion of the Proposed Transaction,
- and, considered whether the Proposed Transaction is “reasonable” to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.
- 2.5. Further information of the approach we have employed in assessing whether the Proposed Transaction is “fair and reasonable” is set out at Section 4 of this Report.

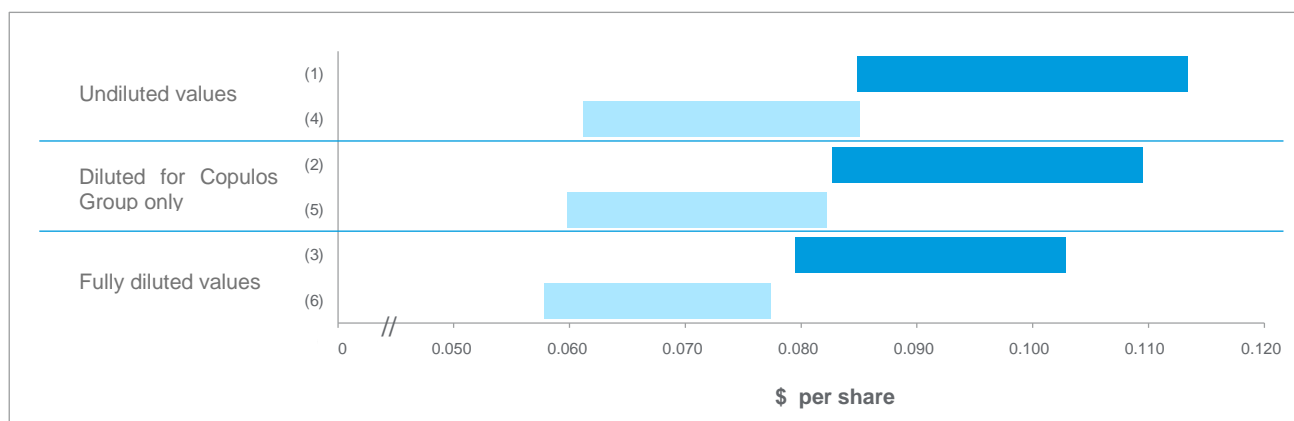
Fairness

- 2.6. Our assessed values of a BKT share prior to and immediately after the Proposed Transaction, are summarised in the table and figure below.

Assessment of fairness	Ref:	Value per Share	
		Low	High
Fair value pre the Proposed Transaction			
(1) Control basis, undiluted	7.30	\$0.085	\$0.113
(2) Control basis, diluted for Copulos Group options	7.30	\$0.083	\$0.110
(3) Control basis, diluted	7.30	\$0.079	\$0.103
Fair value post the Proposed Transaction			
(4) Non control basis, undiluted	8.2	\$0.061	\$0.085
(5) Non control basis, diluted for Copulos Group options	8.11	\$0.060	\$0.082
(6) Non control basis, fully diluted	8.8	\$0.058	\$0.077

Table 1: Assessed values of a BKT share pre and post the Proposed Transaction (Source: RSM FS analysis)

2.7. We have summarised the values included in the table above in the chart below. The first chart reflects a comparison of the values of BKT before and after the Proposed Transaction is approved under each



scenario included in the table.

Figure 1: BKT Share Valuation Graphical Representation (Source: RSM FS Analysis)

2.8. The chart above indicates that the range of undiluted values post the Proposed Transaction are marginally within the range of the undiluted values pre the Proposed Transaction. However, the range of diluted values of a BKT share post the Proposed Transaction on the assumption that only the Copulos Group exercises its options and the fully diluted values of a BKT share post the Proposed Transaction are less than the respective pre Proposed Transaction range of values.

2.9. In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider the Proposed Transaction to be not fair to the Non-Associated Shareholders of BKT. We have reached this conclusion based on the analysis of pre and post Proposed Transaction values plus the fact that the Placement was valued at \$0.075 per share, which is below the pre Proposed Transaction values included in the chart above.

Reasonableness

2.10. RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.11. If the Proposed Transaction does not proceed then Copulos will not be able to participate in the Placement and the Company will only raise \$4 million under the Placement, rather than \$5 million. This means that BKT will be required to reduce the amount to be spent on developing its project in the short term.

2.12. The share price of BKT is currently below the issue price of the Proposed Transaction. This means that the Copulos Group will be paying a premium to the current share price to acquire its shares.

2.13. The key advantages of the Proposed Transaction are:

- The discount to the closing share price immediately prior to the announcement of the Proposed Transaction of 6.2% is better than the average discount of 16% evident in 33 capital raisings undertaken by companies in the metals and mining industry over the last six months.
- The Proposed Transaction will provide BKT with an extra \$1 million to spend on exploration activities; and
- The Copulos Group will subscribe for shares on the same terms as other participants in the Placement.

2.14. The key disadvantages of the Proposed Transaction are:

- Shareholders' interests in BKT could be diluted;

2.15. We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of BKT at this time.

2.16. In our opinion, the position of the Non-Associated Shareholders of BKT if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of BKT.

3. Summary of Transaction

Overview

- 3.1. BKT has proposed a Placement to institutional and sophisticated investors to raise \$5 million at \$0.075 per share plus free attaching unlisted options on a 1 for 2 basis. The Placement will be undertaken in two tranches. The first tranche of 20,116,894 shares was completed on 5 November 2015 and raised \$1,508,767. The second tranche is subject to shareholder approval and will comprise the remaining \$3,491,233.
- 3.2. The Copulos Group has agreed to subscribe for \$1,000,000 in the second tranche of the Placement.

Impact of Proposed Transaction on BKT's Capital Structure

- 3.3. The table below sets out a summary of the capital structure of BKT prior to and post the Proposed Transaction.

	Prior to Proposed Transaction		Unapproved Placement Shares/Options	Post Proposed Transaction	
Shares on issue					
Non-Associated Shareholders	177,925,668	78%	33,216,440	211,142,108	77%
Copulos Group	51,046,838	22%	13,333,333	64,380,171	23%
Total shares on issue	228,972,506	100%	46,549,773	275,522,279	100%
Performance rights					
Non-associated rights holders	5,025,000	75%	-	5,025,000	75%
Copulos Group	1,675,000	25%	-	1,675,000	25%
Total performance rights on issue	6,700,000	100%	-	6,700,000	100%
Options					
Listed options - 5 cent options					
Non-associated optionholders	25,145,000	63%	-	25,145,000	63%
Copulos Group	15,000,000	37%	-	15,000,000	37%
Total listed options on issue	40,145,000	100%	-	40,145,000	100%
Unlisted options - 7.5 cent options					
Non-associated optionholders	10,058,444	100%	16,608,220	26,666,664	80%
Copulos Group	-	0%	6,666,667	6,666,667	20%
Total unlisted options on issue	10,058,444	100%	23,274,887	33,333,331	100%
Unlisted options - various prices *					
Non-associated optionholders	2,578,923	67%	-	2,578,923	67%
Copulos Group	1,291,080	33%	-	1,291,080	33%
Total unlisted options on issue	3,870,003	100%	-	3,870,003	100%
Diluted capital position					
Non-associated security holders	220,733,035	76%	49,824,660	270,557,695	75%
Copulos Group	69,012,918	24%	20,000,000	89,012,918	25%
Total unlisted options on issue	289,745,953	100%	69,824,660	359,570,613	100%

* See Paragraph 5.16 for details

Table 2: Share structure of BKT before and after the Proposed Transaction

- 3.4. The table shows that the Copulos Group will not increase its interest above 25% on the basis that the exercise of options and conversion of performance rights are consistent across classes. However, if the

Copulos Group was to exercise its options and performance rights while no other security holders exercised their options or performance rights, then the Copulos Group would increase its interest in BKT to 29.7%. This is summarised in the table below:

	Prior to Proposed Transaction		Post Proposed Transaction	
Non-associated Shareholders	177,925,668	77.7%	211,142,108	70.3%
Copulos Group				
<i>Shares issued</i>	51,046,838	22.3%	64,380,171	21.5%
<i>Performance rights</i>			1,675,000	0.6%
<i>5 cent options</i>			15,000,000	5.0%
<i>7.5 cent options</i>			6,666,667	2.2%
<i>20 cent options</i>			1,291,080	0.4%
Copulos Group maximum diluted interest			89,012,918	29.7%
Total shares on issue	228,972,506	100.0%	300,155,026	100.0%

Table 3: Maximum potential interest to be obtained by the Copulos Group

Rationale for the Proposed Transaction

- 3.5. BKT requires funding to continue to explore its graphite assets in Tanzania. The Copulos Group will seek to maintain its current interest in BKT by subscribing for \$1,000,000 of the Placement.

4. Scope of the Report

Corporations Act

- 4.1. Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing from a starting point that above 20%. Completion of the Proposed Transaction will result in the The Copulos Group being able to increase its interest in BKT from 22% to approximately 29% if it exercises its options and no other optionholder exercises their options.
- 4.2. Under Item 7 of Section 611 of the Act, the prohibition contained in Section 606 does not apply if the acquisition has been approved by the Non-Associated Shareholders of the company.
- 4.3. Accordingly, the Company is seeking approval from the Non-Associated Shareholders for Resolution 3 under Item 7 of Section 611 of the Act.
- 4.4. Section 611(7) of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC Regulatory Guide 111 ("RG 111") advises the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.

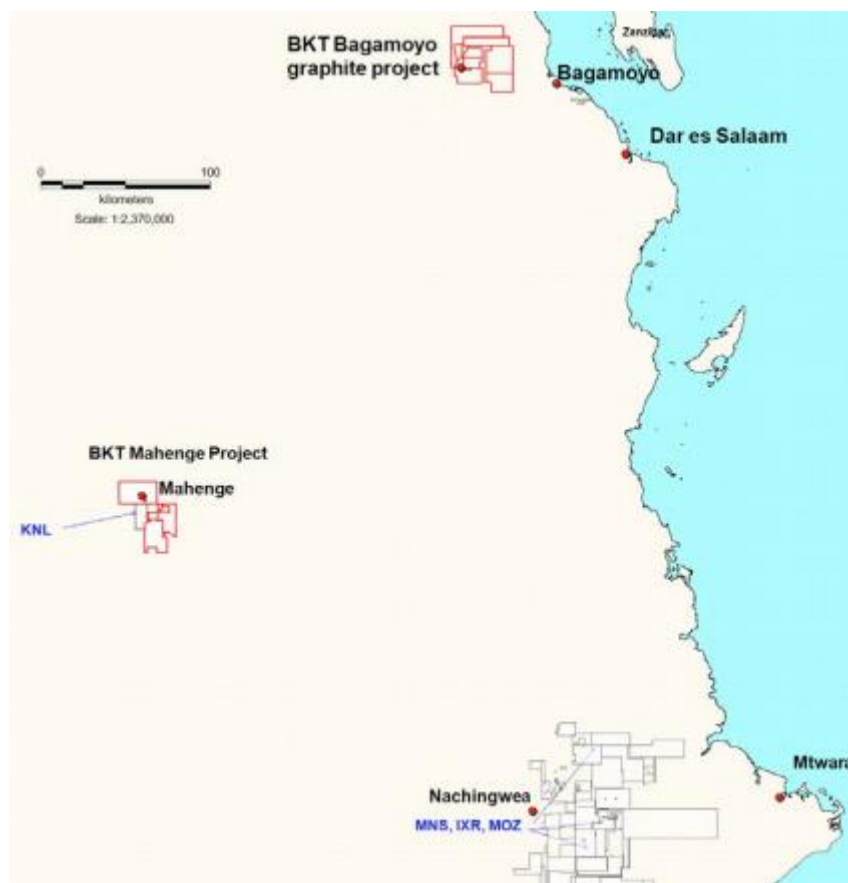
Regulatory guidance

- 4.5. In determining whether the Proposed Transaction is "fair and reasonable" we have given regard to the views expressed by ASIC in RG 111.
- 4.6. RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.7. RG 111 states that the expert report should focus on:
 - the issues facing the security holders for whom the report is being prepared; and
 - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.8. Where an issue of shares by a company otherwise prohibited under section 606 is approved under Item 7 of Section 611 and the effect on the company shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 4.9. RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover offer, stating:
 - A takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
 - A takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.

- 4.10. Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is “fair and reasonable” to the Non-Associated Shareholders, the analysis undertaken is as follows:
- A comparison of the fair value of an ordinary share in BKT prior to (on a control basis) and immediately following (on a non-control basis) the Proposed Transaction, being the ‘consideration’ for the Non-Associated Shareholders – fairness; and
 - A review of other significant factors which the Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.
- 4.11. In particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that it proceeds or does not proceed including:
- The future prospects of the Company if the Proposed Transaction does not proceed; and
 - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

5. Profile of BKT

- 5.1. BKT is a public company and is currently listed on the Australian Securities Exchange (“ASX”). As at 10 November 2015, BKT’s a market capitalisation was \$12.6 million and it had cash reserves of approximately \$2.7 million.
- 5.2. Since 2014, BKT has focussed its activities on graphite exploration in Tanzania, securing the Mahenge



Project and holding an option over the Bagamoyo Project.

Figure 2: BKT project map (Source: BKT)

- 5.3. The Company has undertaken various exploration activities over its projects in the last 18 months. These activities include trenching and drilling and have resulted in a number of discoveries and/or improvements in understanding of deposits within the projects. The Company expects to continue to explore its projects with the intention of defining a JORC resource by the end of 2015.
- 5.4. Further details of the exploration projects held by BKT can be found in the independent specialist report prepared by Agricola Mining Consultants Pty Ltd (“Agricola”) and attached as Appendix 4.

Directors and management

5.5. The directors and key management of BKT are summarised in the table below.

Name	Title	Experience
Stephen Copulos	Non-Executive Chairman	Mr Copulos has over thirty years' experience in a variety of businesses and investments across a wide range of industries including mining, manufacturing, property development, food and hospitality. He has been the Managing Director of the Copulos Group of companies, a private investment group, since 1997 and has experience as a company director of both listed and unlisted public companies in Australia, the UK and USA.
Steven Tambanis	Managing Director	Mr Tambanis is a geologist and manager with commercial and operation experience gained working with ASX listed mineral companies, including business development roles at WMC Resources and Goldminex Resources Limited where he held the position of Executive Director.
Gabriel Chiappini	Non-Executive Director	Mr Chiappini is a Chartered Accountant and member of the Australian Institute of Company Directors with over 18 years' experience in the commercial sector. Over the last 13 years Gabriel has held positions of Director, Company Secretary and Chief Financial Officer) in both public and private companies with operations in Australia, the United Kingdom and the United States. He has assisted a number of companies list on the ASX and been involved with equity raisings exceeding AUD \$300 million. Gabriel has a sound understanding of the ASX Listing Rules and in-depth knowledge of the Corporations Act.

Table 4: BKT Directors (Source: Company announcements)

Financial Information

- 5.6. The financial information of BKT set out in the following sections has been extracted from the audited financial statements of BKT for the years ended 30 June 2014 and 30 June 2015. The audit reports for each of the years contained, without modifying the opinion, a material uncertainty regarding continuation as a going concern. We note that BKT currently has approximately \$2.7 million in cash following funds received from the Placement.

Financial Performance

- 5.7. The following table sets out a summary of the financial performance of BKT for the years ended 30 June 2014 ("FY14") and 30 June 2015 ("FY15").

\$	Ref	FY15 Audited	FY14 Audited
Investment income		80,616	26,538
Other gains and losses		-	56,144
Administration expense		(122,809)	(42,381)
Employee benefit expense		(312,206)	(128,459)
Consulting expense		(537,177)	(253,795)
Depreciation and amortisation expense		(1,708)	(13,136)
Foreign currency exchange differences		32,091	-
Exploration expenditure		(51,293)	31,840
Other expenses from ordinary activities		(42,038)	(33,931)
Impairment of exploration and evaluation assets		-	(1,000)
Impairment of property, plant and equipment		(1,818)	-
Loss before income tax expense		(956,342)	(358,180)
Loss from discontinued operations	5.9	(38,779)	(2,070,383)
Net loss for the year		(995,121)	(2,428,562)
Other comprehensive income/(loss)		406	2,197
Total comprehensive loss		(994,715)	(2,426,365)

Table 5: Financial Performance (Source: BKT Financial Statements)

- 5.8. The Statement of Comprehensive Income is indicative of an exploration company, with the majority of expenditure included in the Statement of Comprehensive Income on consulting and administration. We note that BKT capitalises its exploration expenditure.
- 5.9. Losses from discontinued operations relate to previous exploration assets held by BKT.

Financial Position

5.10. The table below sets out a summary of the financial position of BKT as at 30 June 2014 and 30 June 2015.

\$	Ref	30 June 2015 Audited	30 June 2014 Audited
Current Assets			
Cash and cash equivalents		2,489,586	801,258
Trade and other receivables		80,027	24,896
Other financial assets		-	400,000
Assets held for sale	5.12	412,383	-
Total Current Assets		2,981,996	1,226,154
Non-Current Assets			
Other assets		105,300	105,300
Property, plant and equipment		-	3,526
Exploration and evaluation asset	5.13	3,404,600	334,454
Total Non-Current Assets		3,509,900	443,280
Total Assets		6,491,896	1,669,434
Liabilities			
Current Liabilities			
Trade and other payables		243,531	81,171
Provisions		7,696	-
Total Current Liabilities		251,227	81,171
Total Liabilities		251,227	81,171
Net Assets		6,240,669	1,588,263
Equity			
Issued capital		36,274,617	31,311,043
Reserves		812,358	1,247,528
Accumulated losses		(30,846,306)	(30,970,308)
Total Equity		6,240,669	1,588,263

Table 6: Financial Position (Source: BKT Financial Statements)

- 5.11. As at 30 June 2015, BKT had net assets of \$6.2 million. BKT had no debt and a cash balance of \$2.5 million.
- 5.12. Assets held for sale comprise the value of an offer to acquire BKT's Ocean Hill Hydrocarbon asset which was received and accepted from Eneabba Gas Limited ("Eneabba"). Eneabba will pay BKT \$300,000 and issue 40 million Eneabba shares on completion. The transaction is due to expire on 31 December 2015, however, it appears likely that the transaction will not complete until mid 2016 as a result of finalising native title agreements. It is likely that the expiry date will be extended if completion is not reached before 31 December 2015.
- 5.13. Exploration and evaluation expenditure relates predominantly to costs incurred in the exploration of the Mahenge Project. Details of these projects and the graphite market are included in the independent specialist report attached at Appendix 4.

Details of project option costs

5.14. BKT has signed an option to acquire the Bagamoyo project. In order to exercise its option to acquire the project, BKT must make the following payments:

- Pay US\$200,000;
- Issue 4 million BKT shares;
- Make milestone payments linked to resource definition at the Bagamoyo Project, as follows:
 - US\$750,000 in cash and 4 million shares if a JORC resource of greater than 250,000 tonnes of contained graphite at greater than 5% total graphitic content is defined; and
 - US\$750,000 in cash and 10 million shares if a JORC resource of greater than 500,000 tonnes of contained graphite at greater than 5% total graphitic content is defined.
- If mineral production from the Bagamoyo Project is achieved, BKT must pay a 3% net smelter royalty.

Outstanding payments on the Mahenge Project

5.15. Under the terms of the acquisition agreement to acquire the Mahenge Project permits, BKT will be required to make the following additional milestone payments if a resource is defined at the Mahenge Project:

Mahenge South

- \$250,000 in cash or shares if a JORC resource of greater than 250,000 tonnes of contained graphite at greater than 7% total graphitic content is defined;
- \$250,000 if BKT's share price exceeds \$0.10 for 10 consecutive days; and
- \$500,000 in cash or shares if a JORC resource of greater than 1 million tonnes of contained graphite at greater than 7% total graphitic content is defined.

Mahenge North

- \$250,000 in cash or shares if a JORC resource of greater than 250,000 tonnes of contained graphite at greater than 9% total graphitic content is defined
- \$375,000 in cash or shares if a JORC resource of greater than 1 million tonnes of contained graphite at greater than 9% total graphitic content is defined

Capital Structure

- 5.16. BKT has 228,972,506 ordinary shares on issue. The total number of share on issue includes 20,000 shares that are currently subject to a cleansing prospectus that was released on 5 November 2015. The prospectus closes on 12 November 2015 and the shares are expected to be quoted on the ASX on 16 November 2015.
- 5.17. The Company has the following options on issue:
- 40,145,000 listed options with an exercise price of \$0.05 and an expiry date of 25 March 2017;
 - 10,058,444 unlisted options with an exercise price of \$0.075 and an expiry date of 30 November 2018;
 - 95,000 unlisted options with an exercise price of \$0.40 and an expiry date of 15 November 2015;
 - 100,000 unlisted options with an exercise price of \$0.16 and an expiry date of 11 June 2016;
 - 375,000 unlisted options with an exercise price of \$0.06 and an expiry date of 28 November 2016; and
 - 3,300,003 unlisted options with an exercise price of \$0.20 and an expiry date of 19 January 2018.
- 5.18. BKT also has 6,700,000 performance rights, where 2,233,334 convert if a JORC compliant resource of not less than 1,000,000 tonnes of contained graphite at 9% or more total graphite content from the Mahenge Project is defined, 2,233,333 convert if a JORC compliant resource of not less than 2,000,000 tonnes of contained graphite at 9% or more total graphite content from the Mahenge Project is defined and 2,233,333 convert if the Company's 10 day VWAP is equal to or greater than \$0.0875 for a period of 10 consecutive trading days.
- 5.19. The Top 20 shareholders of BKT as at 11 November 2015 are set out below.

	Shareholder	Number of Shares	% of Total Shares
1	Eyeon Investments Pty Ltd	35,433,881	15.5
2	Gasmere Pty Ltd	9,898,792	4.3
3	Asab Resources (T) Ltd	7,888,265	3.4
4	Deck Chair Holdings Pty Ltd	7,000,000	3.1
5	Arden Medical Pty Ltd	6,666,666	2.9
6	HSBC Custody Nominees (Australia) Limited	6,362,747	2.8
7	Supermax Pty Ltd	6,066,667	2.6
8	Westpark Operations Pty Ltd	5,995,000	2.6
9	Blamco Trading Pty Ltd	4,750,000	2.1
10	Mr Faris Cassim	3,750,000	1.6
11	Ms Merle Smith + Ms Kathryn Smith	3,664,622	1.6
12	Kabunga Holdings Pty Ltd	3,407,190	1.5
13	White Swan Nominees Pty Ltd	3,399,077	1.5
14	Mr Harry Hatch	3,000,000	1.3
15	UBS Nominees Pty Ltd	2,892,895	1.3
16	FNL Investments Pty Ltd	2,500,000	1.1
17	Mrs Jaclyn Stojanovski + Mr Chris Retzos + Mrs Susie Retzos	2,400,000	1.0
18	Fenway Investments Pty Ltd Bases Loaded Super Fund A/C	2,345,142	1.0
19	Exit Out Pty Ltd	2,100,000	0.9
20	Mahsor Holdings Pty Ltd	2,089,283	0.9
	Total top 20	121,610,227	53.1
	Remainder	107,362,279	46.9

Total BKT Shareholders	228,972,506	100.0
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Table 7: BKT Top 20 shareholders (Source: BKT)

Share price performance

5.20. The figure below sets out a summary of BKT's closing share prices and traded volumes from 31 March 2015 to 3 November 2015.

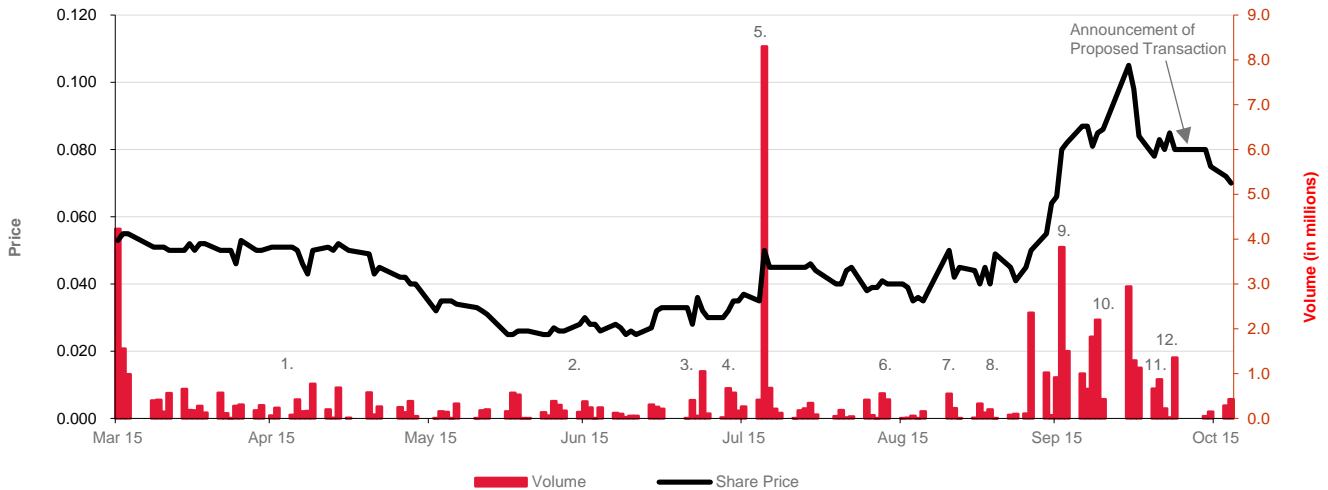


Figure 3: BKT Daily Closing Share Price and Traded Volumes (Source: ASX/S&P Capital IQ)

5.21. We have not shown share prices or trading activity prior to 31 March 2015 because BKT's shares were in suspension for approximately three months.

5.22. BKT has been actively undertaking exploration activities across all of its projects during the period in the chart above. We have summarised some of the key announcement of the Company below (as referenced in the chart):

1. Drill results announced for Epanko North confirming that the Epanko North ore body is an extension of an existing contiguous discovery.
2. An update on drilling activity was announced. Drill results were not available but samples had been sent for assaying.
3. Assay results of trench samples at the Cascade prospect were announced.
4. Further assay results confirm high grade graphite zones over the Cascade prospect.
5. A new discovery is made (Ulanzi prospect) within the Mahenge Project. The footprint of the discovery was estimated at 2,000m x 300m. The best assay results from outcrop sampling returned total graphitic contents of 23.9%, 20.4% and 20.3%.
6. The estimated strike length of the Ulanzi prospect was extended through further modelling and test work.
7. Assay results for Epanko North and early drill results for Cascade and Ulanzi were announced.
8. Assay results from drilling at Cascade are released, confirming high grade graphite intercepts.
9. Further assay results from drilling at Cascade are released. The estimated strike length of the Ulanzi prospect was also extended to 3.75km.
10. Assay results from drilling at the Ulanzi prospect are released, confirming high grade drill intercepts.

11. Exploration target released.

12. Additional assay results from drilling at the Ulanzi prospect are released.

5.23. The chart shows that news related to the Ulanzi and Cascade prospects appears to have created an increase in volumes and share price. The market has responded positively to the exploration results to date.

5.24. BKT's share price performance is discussed in more detail in Paragraph 7.18.

6. Valuation Approach

Valuation methodologies

6.1. In assessing the Fair Value of an ordinary BKT share prior to and immediately following the Proposed Transactions, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

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

6.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

6.3. Market based methods estimate the Fair Value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include;

- The quoted price for listed securities; and
- Industry specific methods.

6.4. The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market.

6.5. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based

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

- Capitalisation of maintainable earnings; and
- Discounted cash flow methods.

6.7. The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

- 6.8. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset based methods

- 6.9. Asset based methodologies estimate the Fair Value of a company'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; and
 - net assets on a going concern basis.
- 6.10. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 6.11. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.
- 6.12. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of Valuation Methodologies

Valuation of a BKT share pre the Proposed Transaction (control basis)

- 6.13. In assessing the value of a BKT share prior to the Proposed Transaction we have utilised a sum of parts valuation which combines the following methodologies:
- for all non-exploration assets and liabilities – net assets on a going concern; and
 - for all exploration assets – methodology as determined by the independent specialist.
- 6.14. We have instructed Agricola to act as an independent specialist to value the exploration assets held by BKT. Agricola has used the comparable transaction method. In our opinion the methodology adopted by Agricola is appropriate for the stage of development of each of BKT's exploration assets. Further information on Agricola's adopted valuation methodologies and valuation can be found in Agricola's report included as Appendix 4.
- 6.15. We have also utilised the quoted market price methodology as a secondary valuation methodology.
- 6.16. We have considered the undiluted value of BKT, the fully diluted value of BKT and the diluted value of BKT assuming only the Copulos Group securities are converted to shares.

- 6.17. We have not considered other valuation methodologies such as DCF or FME because future revenue and expenses cannot be forecast with sufficient reasonable basis to meet the requirements of RG111 (specifically, a reserve must be defined before the DCF methodology could be contemplated for exploration assets) and the FME methodology requires a history of profits.

Valuation of a BKT share post the Proposed Transaction (non-control basis)

- 6.18. In assessing the value of BKT post the Proposed Transaction, we have used the pre Proposed Transaction value and included the impact of the Proposed Transaction assuming it proceeds. In particular, we have made the following adjustments:
- Included the cash raised from the Placement;
 - Included any dilution from the issue of shares; and
 - Included specific costs associated with the Proposed Transaction.
- 6.19. We have then assessed the value of a BKT share post the Proposed Transaction on a non-controlling basis by adjusting for minority discount. We have also considered the non-controlling value of BKT assuming and undiluted value, a fully diluted value and a diluted value of BKT assuming only the Copulos Group securities are converted to shares.

7. Valuation of BKT Prior to the Proposed Transaction

7.1. As stated at paragraph 6.13 we have assessed the value of a BKT share prior to the Proposed Transaction on a sum of parts basis and have also considered the quoted price of its listed securities. In both valuations, we have included a premium for control.

Sum of parts valuation

7.2. We have assessed the value of a BKT share on a control basis to be between approximately \$0.085 per share and \$0.113 per share (undiluted), prior to the Proposed Transaction, based on the sum of parts valuation methodology, as summarised in the table below.

	Ref.	30-Jun-15 \$	Low \$	High \$
Exploration assets	7.4	3,404,600	15,900,000	22,010,000
Cash	7.10	2,489,586	2,725,329	2,725,329
Assets held for sale	7.11	412,383	878,153	1,304,950
Other assets and liabilities		(65,900)	(65,900)	(65,900)
Net assets (sum of parts)		6,240,669	19,437,582	25,974,378
Current shares on issue	5.16		228,972,506	228,972,506
Value per share (undiluted)			\$0.085	\$0.113
Value per share (diluted for in the money options)	7.13		\$0.079	\$0.103

Table 8: Assessed Fair Value of a BKT Share – sum of parts basis (Source: RSM FS Analysis)

7.3. Our assessment has been based on the audited net assets of BKT as at 30 June 2015 of approximately \$6.2 million as per the Company's financial statements. We have been advised that, except for adjustments noted below and normal operating costs, there has been no significant change in the net assets of BKT since 30 June 2015.

Exploration expenditure

7.4. We have replaced the carrying value of exploration expenditure included in the Statement of Financial Position with the values calculated by Agricola and included in its independent valuation report attached as Appendix 4.

7.5. Agricola performed its valuation of the exploration assets using the comparable transaction methodology.

7.6. When calculating the value of the existing resources of BKT, Agricola applied a discount (based on average comparable acquisition costs) to the contained value of resources. This is a market based method (due to the use of comparable acquisition costs) and is industry specific. Contained value is an estimate of the in situ value of the resources, risked for resource category and operating factors. The average comparable acquisition costs discount is based on observed discounts to contained values of comparable transactions. In our opinion, the use of the average acquisition cost method is appropriate given the stage of exploration development at the Mahenge Project.

7.7. The values calculated by Agricola are set out in the table below:

Prospect	Ref	Low \$	High \$
Cascade		4,450,000	6,160,000
Ulanzi		8,020,000	11,100,000
Epanko North West		2,630,000	3,640,000
Epanko North Middle		800,000	1,110,000
Total exploration value		15,900,000	22,010,000

Table 9: Market value of exploration assets (Source: Agricola report – Appendix 4)

7.8. More details of the valuation methods used by Agricola are included in the report attached at Appendix 4.

7.9. We have not placed a value on the Bagamoyo Project as BKT is yet to undertake preliminary exploration activities and only holds an option to acquire the project. As such, we do not consider that there is any value to BKT in the option that is over and above the required exploration expenditure for due diligence and the cost of exercising the option.

Cash

7.10. We have adjusted cash to reflect the cash position of BKT as at 30 September 2015, as disclosed in the September 2015 quarterly report, plus the cash raised from the Placement shares that have already been allotted (less 5% for costs of the placement). The remaining shares are subject to shareholder approval and have been excluded from this balance.

Assets held for sale

7.11. BKT has signed an agreement with Eneabba to dispose of the Ocean Hill asset. As such, it is currently recorded in the Statement of Financial Position as an asset held for sale. The consideration for the sale includes a cash component of \$300,000 and a share component of 4 million Eneabba shares. We have estimated the value of the Ocean Hill asset based on the agreement with Eneabba to be between \$0.9 million and \$1.3 million as set out below:

	Ref.	Low \$	High \$
Cash consideration		300,000	300,000
Share consideration			
Shares to be issued		40,000,000	40,000,000
Current Eneabba share price (ASX:ENB)		0.031	0.031
Current market value of shares		1,240,000	1,240,000
Discount for lack of liquidity and time value of money	7.12	53%	19%
Present value of share consideration		578,153	1,004,950
Value of assets held for sale		878,153	1,304,950

Table 10: Market value of assets held for sale (Source: RSM FS analysis)

7.12. When calculating the value of the share consideration, we have applied a discount rate of 53% in the low valuation and 19% in the high valuation. This discount has been applied to reflect the time value of money and the lack of liquidity in Eneabba's shares, which would pose a challenge if BKT were to attempt

to dispose of its potential shareholding in a single transaction (the number of shares traded in Eneabba for the last 30 days as a percentage of total shares on issue was just 0.59%).

Fully diluted value of a BKT share

7.13. We have adjusted the undiluted value per BKT share for any options that would be in the money based on the undiluted value of a BKT share. The diluted value is set out in the table below:

	Ref.	Low \$	High \$
Net assets (sum of parts)	7.2	19,437,582	25,974,378
Cash from exercise of options	7.14	2,784,134	2,784,134
Diluted net assets (sum of parts) value		22,221,715	28,758,512
Shares on issue as at 6 November 2015	7.2	228,972,506	228,972,506
Shares issued upon exercise of options	7.14	50,578,447	50,578,447
Diluted shares on issue at 6 November 2015		279,550,953	279,550,953
Value per share (diluted for in the money options)		\$0.079	\$0.103

Table 11: Diluted value of a BKT share before the Proposed Transaction (Source: RSM FS analysis)

7.14. The new cash and shares included in the table above relate to the following:

- 40,145,000 options with an exercise price of \$0.05 per share, raising \$2,007,250;
- 10,058,447 options with an exercise price of \$0.075 per share, raising \$754,384; and
- 375,000 options with an exercise price of \$0.06 per share, raising \$22,500.

Diluted value of a BKT share assuming only the Copulos Group exercises its options

7.15. We have also adjusted the undiluted value per BKT share for the assumption that the Copulos Group exercises all in the money options that it currently holds. We have excluded performance rights from this calculation as the conversion of these rights is outside of the control of the Copulos Group and the rights would not convert prior to the Proposed Transaction. The diluted value assuming only the Copulos Group exercises its options is set out in the table below:

	Ref.	Low \$	High \$
Net assets (sum of parts)	7.2	19,437,582	25,974,378
Cash from exercise of options	7.14	750,000	750,000
Diluted net assets (sum of parts) value		20,187,582	26,724,378
Shares on issue as at 6 November 2015	7.2	228,972,506	228,972,506
Shares issued upon exercise of options	7.14	15,000,000	15,000,000
Diluted shares on issue at 6 November 2015		243,972,506	243,972,506
Value per share (diluted for in the money options)		\$0.083	\$0.110

Table 12: Diluted value of a BKT share assuming only the Copulos Group options are exercised (Source: RSM FS analysis)

7.16. We have assumed that the Copulos Group exercises 15,000,000 options with an exercise price of \$0.05 per share, raising \$750,000.

Quoted Price of Listed Securities (secondary method)

7.17. In order to provide a comparison and cross check to our sum of parts valuation of BKT, we have considered the recent quoted market price for BKT's shares on the ASX prior to the announcement of the Proposed Transaction.

Analysis of recent trading in BKT shares

7.18. The figure below sets out a summary of BKT's closing share price and volume of BKT shares traded from 31 March 2015 to 23 October 2015, the last trading day prior to the announcement of the Proposed Transaction. The assessment only reflects trading prior to the announcement of the Proposed Transaction in order to avoid the influence of any movement in price that may have occurred as a result



of the announcement.

Figure 4: BKT Share Price Volume Graph (Source: S&P Capital IQ)

7.19. Over the trading period prior to the announcement of the Proposed Transaction, BKT shares have traded at a high of \$0.105 and a low of \$0.023. A spike in volume on 4 August 2015 was a result of positive exploration results at the Mahenge Project. The share price and trading volumes started to increase from 25 September 2015, following consistent news flow on exploration results from the Mahenge Project.

7.20. To provide further analysis of the quoted market prices for BKT's shares, we have considered the VWAP over a number of trading day periods ending 23 October 2015. An analysis of the volume in trading in BKT's shares for the 1, 5, 10, 30, 60, 90, 120 and 180 day trading periods is set out in the table below.

VWAP as at 23 October 2015	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP (\$)	0.080	0.081	0.090	0.079	0.067	0.061	0.059	0.054
Total Volume (000's)	1,363	3,160	8,527	25,347	38,747	45,359	51,118	63,775
Total Volume as a % of Total Shares	0.7%	1.5%	4.1%	12.2%	18.6%	21.8%	24.6%	30.7%
Low Price (\$)	0.075	0.075	0.075	0.040	0.035	0.024	0.023	0.023
High Price (\$)	0.090	0.090	0.105	0.105	0.105	0.105	0.105	0.105
Trading Days (no.)	1	5	8	27	54	82	107	132

Table 13: Traded volumes of BKT Shares to 23 October 2015 (Source: S&P Capital IQ)

- 7.21. The table indicates moderate volume and liquidity in BKT shares, with 12.2% of total shares traded over 30 trading days.
- 7.22. In our opinion, the range of VWAPs between 1 day and 30 days is an appropriate indication of the value of a BKT share based on a minority interest. As such, we consider the range of values for a BKT share to be between \$0.079 and \$0.090.
- 7.23. In order to calculate the diluted value of a BKT share we have adjusted the undiluted value calculated in paragraph 7.22 by:
- adding any cash received from the issue of in the money options (as per paragraph 7.14) to the implied market capitalisation of BKT based on the undiluted range of values above; and
 - adding the number of shares that would be issued upon exercise of in the money options to the current undiluted number of shares on issue.
- 7.24. This results in a range of diluted values of between \$0.075 and \$0.084 per share.
- 7.25. Additionally, we have calculated a value of a BKT share assuming that only the Copulos Group exercises its options. We adjusted for the following:
- adding any cash received from the issue of in the money options (as per paragraph 7.16) to the implied market capitalisation of BKT based on the undiluted range of values above; and
 - adding the number of shares that would be issued upon exercise of in the money options to the current undiluted number of shares on issue.
- 7.26. This results in a range of diluted values of between \$0.097 and \$0.118 per share.

Controlling value of a BKT share

- 7.27. Our valuations of a BKT share, on the basis of the recent quoted market price including a premium for control for the three scenarios discussed above is as summarised in the table below.

	Ref.	Low	High
Undiluted value			
Non-controlling value of a BKT share	7.22	\$0.079	\$0.090
Add premium for control	7.29	25%	35%
Undiluted quoted market price controlling value		\$0.099	\$0.122
Diluted value			
Non-controlling value of a BKT share	7.24	\$0.075	\$0.084
Add premium for control	7.29	25%	35%
Diluted quoted market price controlling value		\$0.093	\$0.113
Diluted for the Copulos Group only			
Non-controlling value of a BKT share		\$0.077	\$0.088
Add premium for control		25%	35%
Quoted market price controlling value		\$0.097	\$0.118

Table 13: Assessed value of a BKT share – Quoted Price of Listed Securities (Source: RSM FS analysis)

Key assumptions

Control Premium

- 7.28. The value derived at paragraph 7.27 is indicative of the value of a marketable parcel of shares assuming the shareholder does not have control of BKT. RG 111.11 states that when considering the value of a company's shares the expert should consider a premium for control. If the Proposed Transaction is successful, the Copulos Group could hold an interest of at least 29% of the issued share capital of BKT if it exercises its options and no other optionholder exercises their options. Therefore, as explained in paragraph 4.10, our assessment of the fair value of a BKT share must include a premium for control.
- 7.29. In selecting a control premium we have given consideration to the RSM 2013 Control Premium Study. The study performed an analysis of control premiums paid over a 7-year period to 31 December 2012 in 345 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that, on average, control premiums in takeovers and schemes of arrangements involving Australian companies in the mining and metals sectors was in the range of 25% to 35%. In valuing an ordinary BKT Share prior to the Proposed Transaction using the quoted price of listed securities methodology we have reflected a premium for control in the range of 25% to 35%.

Valuation summary and conclusion

- 7.30. A summary of our assessed values of an ordinary BKT share on a control basis pre the Proposed Transaction, derived under the two methodologies, is set out in the table below.

	Ref.	Low	High
Undiluted value			
Sum of parts	7.2	\$0.085	\$0.113
Quoted market value	7.27	\$0.099	\$0.122
Preferred undiluted valuation		\$0.085	\$0.113
Diluted value			
Sum of parts	7.2	\$0.079	\$0.103
Quoted market value	7.27	\$0.093	\$0.113
Preferred diluted valuation		\$0.079	\$0.103
Diluted for the Copulos Group only			
Sum of parts		\$0.083	\$0.110
Quoted market value		\$0.097	\$0.118
Preferred valuation		\$0.083	\$0.110

Table 14: BKT Share valuation summary (Source: RSM FS analysis)

- 7.31. The table above indicates that our chosen valuations methodologies produce similar valuation ranges. We have relied on the sum of parts methodology as our preferred range of values for BKT on a controlling

basis because it incorporates the independent specialist valuation and implies control. We note that the quoted market price methodology supports the sum of parts valuation.

8. Valuation of BKT Following the Proposed Transaction

8.1. We summarise our valuation of a BKT share subsequent to the Proposed Transaction on a net assets on a going concern basis (sum of parts) in the table below.

Post Proposed Transaction	Ref:	Low Value \$	High Value \$
Undiluted Value of BKT pre Proposed Transaction	7.2	19,437,582	25,974,378
Cash received per Proposed Transaction from the Copulos Group	8.3	1,000,000	1,000,000
Cash received per Proposed Transaction from other shareholders	8.3	2,491,233	2,491,233
Less capital raising costs	8.4	(174,562)	(174,562)
Undiluted Value of BKT		22,754,253	29,291,050
Number of shares on issue pre Proposed Transaction	7.2	228,972,506	228,972,506
Shares issued to the Copulos Group in accordance with Proposed Transaction	8.3	13,333,333	13,333,333
Shares issued to other shareholders in accordance with Proposed Transaction	8.3	33,216,440	33,216,440
Total shares after Proposed Transaction		275,522,279	275,522,279
Undiluted value per share		\$0.083	\$0.106
Discount for minority interest	8.6	\$(0.021)	\$(0.021)
Minority value per share (undiluted)	8.2	\$0.061	\$0.085
<i>Minority value excluding funds raised from other shareholders</i>	8.2	<i>\$0.062</i>	<i>\$0.089</i>

Table 15: Assessed Value of BKT on Net Assets Basis (post-Proposed Transaction)

- 8.2. We consider that the minority value of a BKT share post the Proposed Transaction is between \$0.061 and \$0.085 on an undiluted basis. We note that the value of a BKT post the Proposed Transaction but excluding the impact of the Placement shares and funds raised from other shareholders is between \$0.062 and \$0.089. As would be expected, this indicates that the issue of shares to the Copulos Group has less of a dilutionary impact on share value than when all shares issued under the Proposed Transaction are considered.
- 8.3. We have adjusted the net asset value (sum of parts) and shares on issue of BKT for the cash that will be raised in accordance with the Proposed Transaction and the corresponding shares that will be issued. We have separated the cash and shares by the Copulos Group and other participants to the Placement. We have done this so that Non-Associated Shareholders can assess the impact of the shares being issued to the Copulos Group and the shares being issued to other participants in the Placement.
- 8.4. A total of \$3,491,233 will be raised from the issue of tranche 2 shares in the Placement, with \$1,000,000 of funds raised coming from the Copulos Group. The issue of tranche 2 shares under the Placement will result in 46,549,773 shares being issued, with 13,333,333 of those shares being issued to the Copulos Group.
- 8.5. We have assumed transaction costs of 5% of the total funds raised.

Minority interest discount

- 8.6. In selecting a minority discount we have given consideration to our control premium applied in Paragraph 7.29, where we established a range for a control premium of between 25% and 35%. The resulting corresponding minority discount range based on said control premiums is between 20% and 26%.

Diluted value per share

- 8.7. Resolution 4 seeks approval from Non-Associated Shareholders on the basis that the Copulos Group could exercise its options and increase its interest to as much as 29.3% (or 29.7% if performance rights are included). As such, we have calculated the diluted value of a BKT share post the Proposed Transaction on the basis that only the Copulos Group exercises its options. We have done this so that Non-Associated Shareholders can consider the impact of only the Copulos Group exercising its options. We note however, that it would be highly unlikely that the Copulos Group would exercise in the money options while no other optionholder with in the money options would exercise their options. We have not included any dilution for the impact of the performance rights because the conversion of these rights is outside the control of the Copulos Group and the rights would not currently convert. Therefore, we have also calculated a fully diluted value (assuming all in the money options are exercised) of a BKT share post the Proposed Transaction.
- 8.8. The table below summarises the diluted value of a Post Transaction BKT share assuming only the Copulos Group exercises its options.

Diluted for the Copulos Group options only	Ref	Low	High
Undiluted net asset value	8.1	\$22,754,253	\$29,291,050
Cash from exercise of options	8.9	\$1,250,000	\$1,250,000
Diluted net asset value		\$24,004,253	\$30,541,050
Undiluted shares on issue	8.1	275,522,279	275,522,279
Shares issued upon exercise of options	8.9	21,666,667	21,666,667
Diluted shares on issue		297,188,946	297,188,946
Diluted value per share		\$0.081	\$0.103
Minority interest discount	8.6	\$(0.021)	\$(0.021)
Minority value per share on a diluted basis		\$0.060	\$0.082

Table 16: Calculation of BKT diluted value for the Copulos Group options only (Source: RSM FS)

- 8.9. The Copulos Group will hold the following options:
- 15,000,000 options with an exercise price of \$0.05 per share, raising \$750,000;
 - 6,666,667 options with an exercise price of \$0.075 per share, raising \$500,000; and
 - 1,291,080 options with an exercise price of \$0.20 per share, raising \$258,216.
- 8.10. For the purpose of the table above, we have only included options that are in the money. Including out of the money options would have an immaterial impact on our calculation of value.

8.11. The table below summarises the diluted value of a Post Transaction BKT share assuming all in the money options are exercised.

Diluted for all in the money options	Ref	Low	High
Undiluted net asset value assuming Copulos Group options exercised	8.8	\$24,004,253	\$30,541,050
Cash from exercise of all other in the money options	8.12	\$3,279,750	\$3,279,750
Diluted net asset value		\$27,284,003	\$33,820,800
Undiluted shares on issue assuming Copulos Group options exercised	8.8	297,188,946	297,188,946
Shares issued upon exercise of all other in the money options	8.12	52,186,667	52,186,667
Diluted shares on issue		349,375,613	349,375,613
Diluted value per share		\$0.078	\$0.097
Minority interest discount	8.6	\$(0.020)	\$(0.019)
Minority value per share on a diluted basis		\$0.058	\$0.077

Table 17: Calculation of BKT diluted value for all in the money options (Source: RSM FS)

8.12. All other in the money options include:

- 25,145,000 options with an exercise price of \$0.05 per share, raising \$1,257,250;
- 26,666,666 options with an exercise price of \$0.075 per share, raising \$2,000,000; and
- 375,000 options with an exercise price of \$0.06 per share, raising \$22,500.

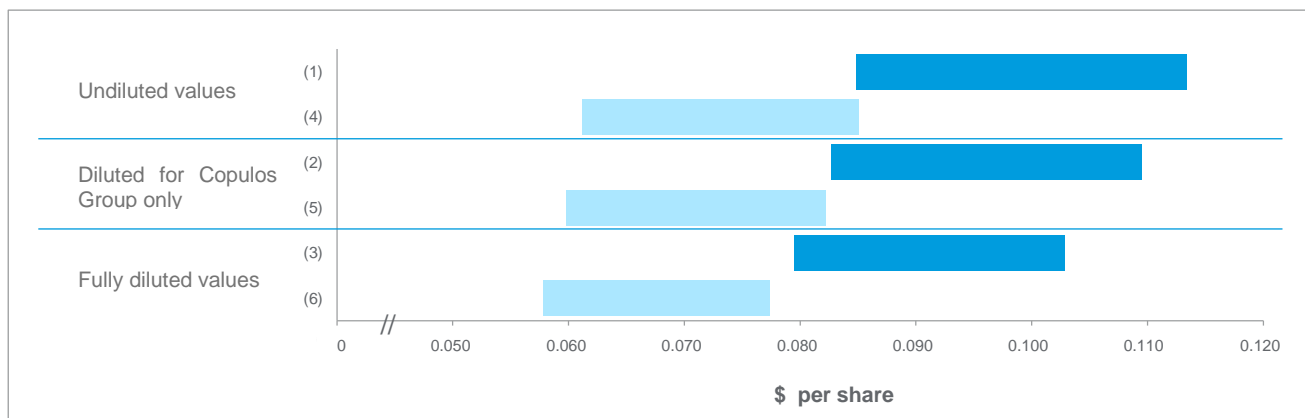
9. Is the Proposed Transaction Fair to BKT Shareholders

9.1. Our assessed values of a BKT share prior to and immediately after the Proposed Transaction, are summarised in the table and figure below.

Assessment of fairness	Ref:	Value per Share	
		Low	High
Fair value pre the Proposed Transaction			
(1) Control basis, undiluted	7.30	\$0.085	\$0.113
(2) Control basis, diluted for Copulos Group options	7.30	\$0.083	\$0.110
(3) Control basis, diluted	7.30	\$0.079	\$0.103
Fair value post the Proposed Transaction			
(4) Non control basis, undiluted	8.2	\$0.061	\$0.085
(5) Non control basis, diluted for Copulos Group options	8.11	\$0.060	\$0.082
(6) Non control basis, fully diluted	8.8	\$0.058	\$0.077

Table 18: Assessed values of a BKT share pre and post the Proposed Transaction (Source: RSM FS analysis)

9.2. We have summarised the values included in the table above in the chart below. The first chart reflects a comparison of the values of BKT before and after the Proposed Transaction is approved under each



scenario included in the table.

Figure 5: BKT Share Valuation Graphical Representation (Source: RSM FS Analysis)

9.3. The chart above indicates that the range of undiluted values post the Proposed Transaction are marginally within the range of the undiluted values pre the Proposed Transaction. However, the range of diluted values of a BKT share post the Proposed Transaction on the assumption that only the Copulos Group exercises its options and the fully diluted values of a BKT share post the Proposed Transaction are less than the respective pre Proposed Transaction range of values.

9.4. In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider the Proposed Transaction to be not fair to the Non-Associated Shareholders of BKT. We have reached this conclusion based on the analysis of pre and post Proposed Transaction values plus the fact that the Placement was valued at \$0.075 per share, which is below the pre Proposed Transaction values included in the chart above.

10. Is the Proposed Transaction Reasonable

10.1. RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of BKT if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Stated Intentions of the Copulos Group in relation to the Proposed Transaction

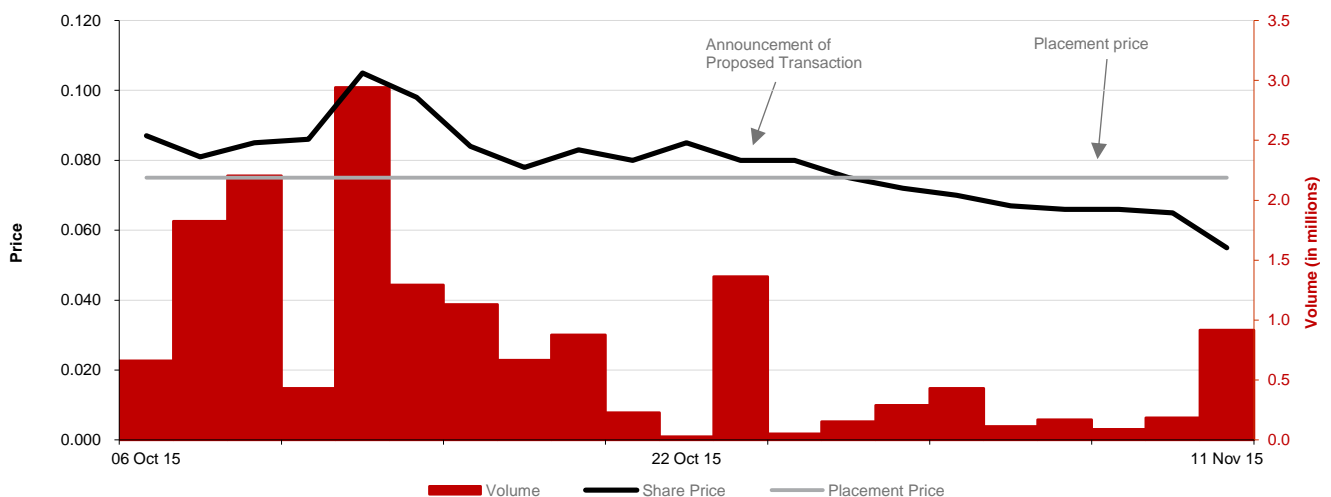
10.2. The stated intentions of The Copulos Group in relation to the Proposed Transaction are not to make any significant changes to the business of the Company.

Future prospects of BKT if the Proposed Transaction does not proceed

10.3. If the Proposed Transaction is not approved, then BKT will not raise the \$1 million subscribed by the Copulos Group. This means that BKT will only raise \$4 million via the Placement and will have less funds to spend on exploration in the short term.

Trading in BKT shares following the announcement of the Proposed Transaction

10.4. As demonstrated in the chart below, BKT's share price has declined since the announcement of the



Proposed Transaction.

Figure 6: BKT Post Announcement Share Price Volume Graph (Source: S&P Capital IQ)

10.5. BKT's share price is currently below the issue price of the Placement. Therefore, the Copulos Group is paying a premium to the share price to acquire its shares under the Placement.

Advantages and disadvantages

- 10.6. In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceed than if they do not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

Advantage 1 – Discount to share price of 6.2% is better than recent market averages

- 10.7. The issue price of the Placement of \$0.075 is a 6.2% discount to the closing price of a BKT share prior to the announcement of the Proposed Transaction of \$0.08. However, we selected 33 capital raisings over \$3 million initiated by companies in the metals and mining industry over the last six months and found that the average discount to the prior days closing price was 16% and the median discount was 14%. This indicates that the Proposed Transaction has been placed at a better price than other capital raisings for similar companies.

Advantage 2 – Cash for exploration

- 10.8. The cash provided by the Copulos Group will contribute to exploration activities on the Mahenge and Bagamoyo projects. We have noted previously that activity at the Mahenge project is the likely cause for the recent increase in share price for BKT and additional exploration could result in further positive price movements.

Advantage 3 – The Copulos Group has contributed funds at the same price as other participants

- 10.9. The Copulos Group has subscribed for 20% of a broader \$5 million placement. As such, it will not receive shares at a more beneficial price than other participants in the Placement.

Disadvantages of approving the Proposed Transaction

Disadvantage 1 – Dilution of shareholders' interests in BKT

- 10.10. There is a potential for the Copulos Group to acquire up to 29.3% in the issued capital of BKT. This assumes that the Copulos Group exercises its options and no other optionholder exercises their options. However, this is unlikely to eventuate as it is reasonable to expect that the Copulos Group would only exercise options that are in the money and, in such a scenario, it is likely that all other optionholders would exercise their options. If all optionholders exercise their options, then the Copulos Group's interest would be 21.5%.

Alternative Proposal

- 10.11. We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of BKT a greater benefit than the Proposed Transaction.

Conclusion on Reasonableness

- 10.12. In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. In particular, we note that it is unlikely that the Copulos Group would significantly increase its interest in BKT through the exercise of options without other optionholders also exercising their options. Further, the issue price of the Placement is within

market expectations and the Couplos Group's participation is part of a broader capital raising. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of BKT.

10.13. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM FINANCIAL SERVICES AUSTRALIA PTY LTD

A GILMOUR

Director

G YATES

Director

APPENDIX 1

Declarations and Disclosures

RSM Financial Services Australia Pty Ltd holds Australian Financial Services Licence 238282 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Financial Services Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour and Mr Glyn Yates are directors of RSM Financial Services Australia Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting BKT Shareholders in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Black Rock Mining Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Financial Services Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

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

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Financial Services Australia Pty Ltd, RSM, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Financial Services Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Financial Services Australia Pty Ltd are expected to receive a fee of \$15,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Black Rock Mining Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Financial Services Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Financial Services Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

APPENDIX 2

Sources of Information

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for BKT for the years ended 30 June 2014 and 30 June 2015;
- Management accounts for BKT for the three months ended 30 September 2015;
- ASX announcements of BKT;
- Specialist report prepared by AMA on the value of the Mahenge Project;
- S&P Capital IQ database;
- Connect4 database; and
- Discussions with Directors, Management and staff of BKT.

APPENDIX 3

Glossary of Terms and Abbreviations

Term or Abbreviation	Definition
\$	Australian Dollar
Act	Corporations Act 2001 (Cth)
Agricola	Agricola Mining Consultants Pty Ltd
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
BKT	Black Rock Mining Limited
CAGR	Compound annual growth rate
Company	BKT
Connect 4	An entity of Thompson Reuters which is an aggregator of ASX listed company announcements and disclosures
Control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
The Copulos Group	Mr Stephen Copulos (and associated), including Eyeon Investments Pty Ltd ATF Eyeon Investments Family Trust, Spacetime Pty Ltd ATF the Copulos Exec S/Fund No.1 A/C and Citywest Corp Pty Ltd ATF the Copulos Sunshine Unit A/C
DCF	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Directors	Directors of BKT
EBIT	Earnings, Before, Interest and Tax
EBITDA	Earnings, Before, Interest, Tax, Depreciation and Amortisation
Eneabba	Eneabba Gas Ltd
Equity	The owner's interest in property after deduction of all liabilities
EV	Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities
Fair Value	the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY##	Financial year ended 30 June
IBIS	IBIS World, producer of industry reports
IER	This Independent Expert Report
MEE	Multiple of exploration expenditure

Term or Abbreviation	Definition
Non Associated Shareholders	Shareholders not associated with the Proposed Transaction
Non control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
Notice	The notice of meeting to vote on the Proposed Transaction
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
Placement	Issue of \$5 million to institutional and sophisticated investors at \$0.075 per share, with free attaching options on a 1 for 2 basis
Proposed Transaction	The proposal to issue shares and options to the Copulos Group
Regulations	Corporations Act Regulations 2001 (Cth)
Report	This Independent Experts Report prepared by RSM FS dated 14 August 2015
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports
RSM FS	RSM Financial Services Australia Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
VWAP	Volume weighted average share price

APPENDIX 4

Independent Specialist Report prepared by Agricola Mining Consultants Pty Ltd



Malcolm Castle
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Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

4 November 2015

RSM Financial Services Australia Pty Ltd (“RSM”)

Dear Sirs,

**Re: INDEPENDENT VALUATION OF MINERAL ASSETS at the MAHENGE GRAPHITE PROJECT
held by BLACK ROCK MINING LIMITED in TANZANIA**

Agricola has been commissioned by the Directors of RSM Financial Services Australia Pty Ltd (“RSM”) to provide a Mineral Asset Valuation Report (“Report”) on the Mineral Assets at the Mahenge Graphite Project in Tanzania held by Black Rock Mining 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 present status of the tenements in Tanzania is based on information made available by the Company and has not been verified by Agricola. 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 utilizing information relating to operational methods and expectations provided to it by various sources. Where possible, Agricola has verified this information from independent sources. This Report has been prepared for the purpose of providing information to RSM and the Company 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”.

Applying the *Spencer Test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during ‘boom’ conditions or a depressed market during ‘bust’ conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with the current market for mineral properties.

The findings of the valuation Report include an assessment of the technical value (i.e. the value implied by a consideration of the technical attributes of the asset) and a market value (which considers the influences of external market forces and risk).

The main requirements of the Valuation Report are:

- Prepared in accordance with the VALMIN Code 2005
- 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.

Under the definition provided by the VALMIN Code, the Mahenge Graphite Project is classified as an ‘advanced exploration area’ with identified mineral resources, which is inherently speculative in nature. The property is 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. Agricola has

endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to the Company, along with a written request to identify any material errors or omissions in the technical information prior to lodgment.

In compiling this report, Agricola did not carry out a site visit to the Company's project areas. Based on its professional knowledge, experience and the availability of extensive databases and technical reports made available by various Government Agencies, Agricola considers 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. Agricola has 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 40 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 20 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including 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 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

Agricola or its employees and associates are not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the projects. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees of \$6,000 plus GST based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Valuation Opinion

Based on an assessment of the factors involved the estimate of the market value of the Mahenge Graphite Project is in the range of A\$15.9 million to A\$22.0 million with a preferred value of A\$18.4 million.

This valuation is effective on 4 November 2015.

Background notes and details of the Valuation process adopted by Agricola are included as an appendix to this Report.

Yours faithfully



Malcolm Castle
B.Sc.(Hons) MAusIMM,
GCertAppFin (Sec Inst)

TENEMENT SCHEDULE

Tenement Name	License Holder	Number		Area km ²	Equity
Mahenge North	Mahenge Resources Ltd	PL 7802/2012	Granted	292.41	100%
Mahenge southwest	Mahenge Resources Ltd	PL 10427/2014	Granted	208.67	100%
Mahenge southeast	Mahenge Resources Ltd	PL 10426/2014	Granted	154.96	100%
Makonde	Mahenge Resources Ltd	PL 10111/2014	Granted	24.83	100%
Bagamoyo 1	Bagamoyo Resources Ltd	Ap 1275	Pending	67.07	100%
Bagamoyo 2	Bagamoyo Resources Ltd	Ap 1278	Pending	106.69	100%
Bagamoyo 3	Bagamoyo Resources Ltd	Ap 1277	Pending	283.52	100%
Bagamoyo 4	Bagamoyo Resources Ltd	Ap 1249	Pending	148.55	100%
Bagamoyo 5	Bagamoyo Resources Ltd	Ap 1272	Pending	251.92	100%
Bagamoyo 6	Bagamoyo Resources Ltd	Ap 1274	Pending	161.12	100%
Bagamoyo 7	Bagamoyo Resources Ltd	Ap 1250	Pending	141.5	100%
Total Area				1841.24	

The Company holds 100% equity in the four Mahenge Graphite Project granted tenements, which cover 680.9 square kilometres. The Company applied for seven tenements on 16 October 2015 covering 1160.4 square kilometres which have been recommended for grant.

The status of the granted tenements has not been verified by Agricola, pursuant to paragraph 67 of the Valmin Code because of the difficulty in accessing the information in an overseas location. The granted 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 plaint action may impact of the valuation and may give grounds for a reassessment.

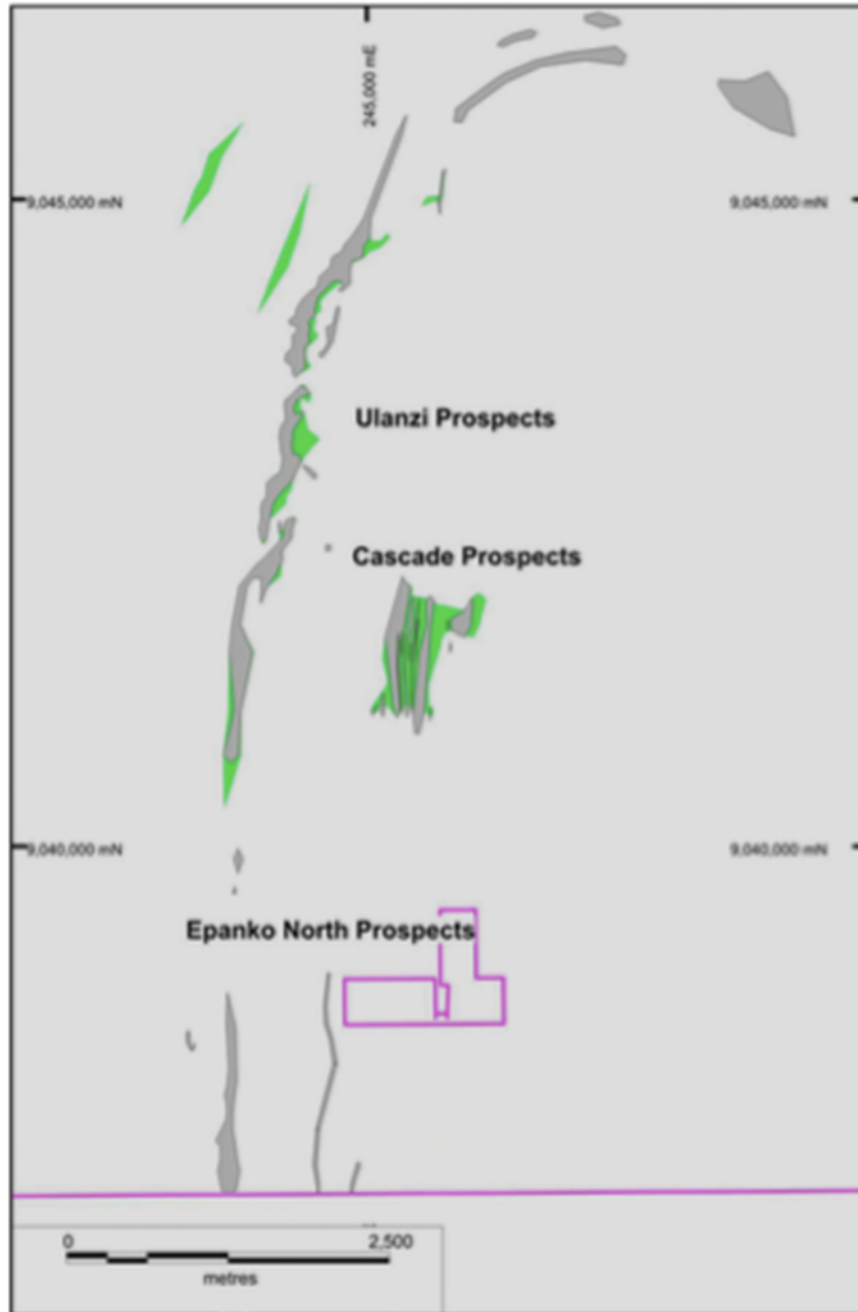
PROJECT REVIEW -MAHENGE GRAPHITE PROJECT

The Company entered into an agreement in July 2014 to explore Mahenge North, a 300km² graphite prospect at Mahenge, Tanzania. Work commenced in country during July 2014 with early stage results confirming good graphite potential at Epanko north, immediately to the north of Kibaran Resources graphite resource held b another company. A regional exploration program highlighted additional graphite potential both within the Mahenge north tenement (Cascade, Ndololo) and also to the south, within the Mahenge Scarp region. Additional tenure was acquired to explore the Makonde and Kituti lodes, and the Company currently has four tenements with a total area of 680.9 km².

Drilling commenced on Epanko Northin January 2015, prior to the annual wet season. 2,200m of diamond and RC drilling was completed, confirming the potential of Epanko north to host a graphite resource. This was followed by infill drilling at Epanko north and exploration of Kituti and Cascade. Mapping at Cascade significantly increased the graphite mineralised area from 400m x 600m in size to over 1,300m in strike length and 800m in width. Exploration work at Kituti defined the 22km

strike length of graphitic structures within the Mahenge southwest tenement. Graphite mineralisation at Kituti is visibly narrower but with coarser, higher grade mineralisation.

Trenching and outcrop sampling results were returned from Cascade, leading to the discovery of a new high-grade graphite mineralised area called Ulanzi, 1km to the west.



Mahenge Project and main prospect locations. Grey outlines represent graphite schist lodes and green outlines represent the mineralised footprint.

Recent work focused on infill drilling the western lode of Epanko North to determine its bulk tonnage graphite potential. Over 1,500m of RC and diamond was drilled in the first month of drilling. The first infill hole of this program at Epanko north (RC17) drilled a highly encouraging 120m

graphitic schist interval from 10m down-hole, returning 96m @6.51%TGG, indicating substantial widths of graphite mineralisation across this section.

Maiden drilling at the Epanko Northeast lode returned zones of exceptionally coarse graphite from the first few drill holes with graphite flakes up to 8mm x 8mm, despite being pulverised by the RC hammer when drilled. High grades are expected from this section. Epanko Northeast (600m east of, and parallel to Epanko North) is a narrower, higher-grade graphite structure with >10% TGC trench grades.

The Cascade lode is currently the most exciting prospect at Mahenge. Originally a 400m x 600m zone of graphite mineralisation when found last year, recent work doubled these dimensions. An intensive programme is nearing completion to define the surface extent and grade of this unusually wide zone. Cascade has potential to be larger in size than Epanko north.

The 22km long Kituti structure is being traversed, mapped and trenched in more detail to determine wider drill targets for testing. To date, this structure has not been comprehensively mapped. All recent traverses over the area have observed significant graphite intervals with sampling underway.

Exploration Targets

The Mahenge Graphite Project includes the Mahenge North, Makonde and Mahenge Southwest. The Company's focus is on confirming the known graphite mineralisation and exploring for additional graphite mineralisation within the licenses. This strategy has been successful in delineating several new graphite discoveries within the Mahenge North License.

The Mahenge Graphite Project being explored by the Company shares the same geological setting and style of mineralisation as Kibaran's Epanko Deposit where a JORC compliant mineral resource estimate of 22.7Mt at 9.8% TGC for 2.22Mt contained graphite (>8% TGC cut-off). The trend of Kibaran's Epanko resource extends to the north into GRK's Mahenge North License.

The Exploration Target at the Mahenge Graphite Project has been derived as a range for the four Mahenge prospects using a number of parameters/variables and a density of 2.6t/m³. The grade ranges are based on RC and DD drill assay information and the lower grade has been determined using a 2.5% TGC cut off and the upper grade has been determined using a 7.5% TGC cut-off. The combined tonnage ranges are 84.27mt to 115.49mt with an average grade range across all prospects of 8.66 to 10.34% TGC that have RC and DD drilling information.

Cascade	22.36mt to 30.68mt @ 9.25 to 10.41% TGC
Ulanzi	40.95mt to 52.78mt @ 9.36 to 10.42% TGC
Epanko North: West zone	17.58mt to 26.62mt @ 5.85 to 9.15% TGC
Epanko North: Middle zone	3.38mt to 5.4mt @ 10.21 to 11.92% TGC

The Exploration Targets are conceptual in nature and shows there is insufficient supporting information to define a Mineral Resource in accordance with the JORC Code 2012. It is also uncertain

if further exploration and resource development work will result in the determination of a Mineral Resource.

Competent Person Statement – Exploration Target Estimate

The information in the Company's report that relates to Exploration Results is based on information compiled by Brendan Cummins, who is a member of the Australian Institute of Geoscientists. He is a consultant to Black Rock Mining Limited. Brendan Cummins has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Brendan Cummins consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

This Report accurately reflects the information compiled by Mr Cummins.

The author of this Report is not aware of any new information or data that materially affects the information included in the Company's reports referred to above and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the Information Memorandum continue to apply and have not materially changed. The form and context in which Mr Cummins' findings are presented have not been materially modified.

Competent Persons Statement – This Report

The information in the Mahenge Graphite Project that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Malcolm Castle consents to the inclusion in this Report of the matters based on his information in the form and context in which it appears.

VALUATION ASSESSMENT

MINERAL RESOURCES VALUATION by the COMPARABLE TRANSACTIONS METHOD

An estimate of the mineral resources at the Mahenge Graphite Project has been compiled. Agricola considers it is appropriate to estimate the value the mineral resources based on the comparative transactions method.

The method requires allocating a dollar value to the mineral resources in the ground and applying appropriate discounts for JORC Category, operating factors and average acquisition cost for mineral projects. This may also apply to well-established zones of mineralisation that have not formally been categorised under the JORC code. An additional risk weighting may be appropriate in these circumstances. Further details of the valuation approach are included in the notes attached to this Report.

The Exploration Targets are assumed to encapsulate all the value the tenements at the Mahenge Graphite Projects.

Average Graphite Price

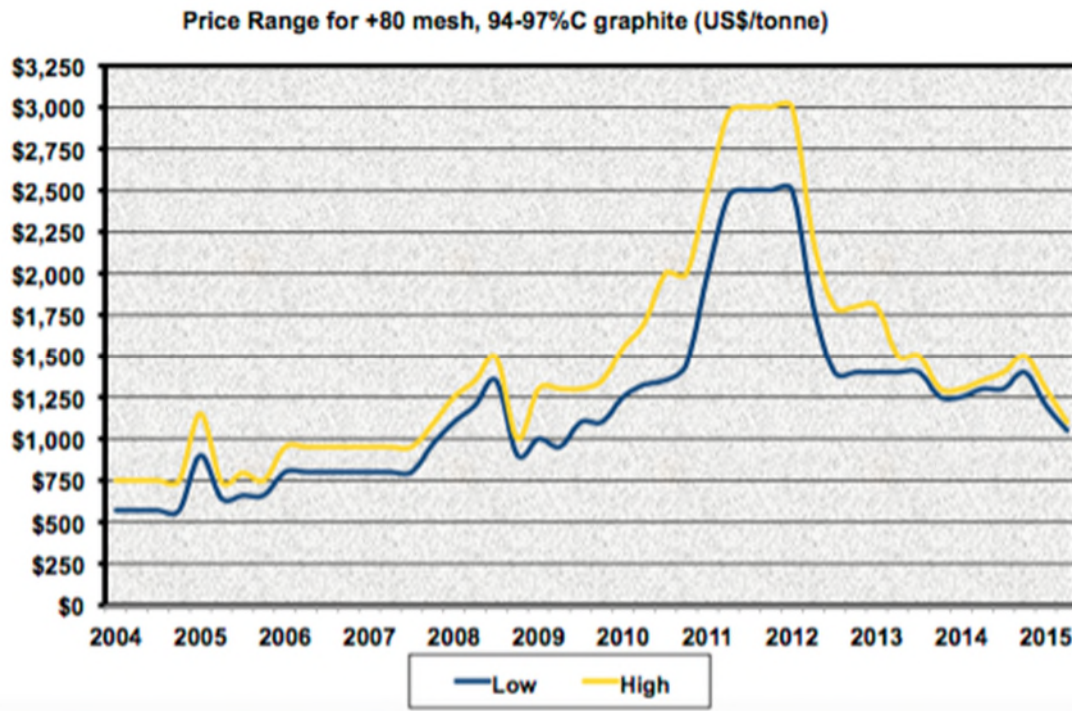
In November 2014 **Triton Minerals Ltd** (ASX: TON) announced the results of the Independent Scoping Study for the Nicanda Hill graphite resource, located at its Balama North project in Mozambique. This deposit is similar in nature to the Mahenge Graphite Project in Tanzania.

Triton notes that the Scoping Study has assumed a conservative average graphite price of **US\$985** per tonne, to incorporate price variations between the selling prices of different graphite size and purity fractions. The Scoping Study assumes this selling price will remain constant over the thirty year life cycle of the proposed Nicanda Hill mine and does not take into account any potential price escalation as demand grows.

Like uranium, there is a posted price for graphite which provides a guideline with respect to longer-term trends but transactions are largely based on direct negotiations between the buyer and seller. Graphite prices are also a function of flake size and purity with large flake (+80 mesh), 94% carbon varieties commanding premium pricing. Prices exceeded US\$1,300/t in the late 80s but crashed to US\$600-750t in the 90s as Chinese producers dumped product on the market. During this period there was essentially no exploration and no new mine has been built in the west for over 20 years.

The current graphite prices US\$/tonne (94-97%C) at the end of October 2015 were;

- XL flake \$1,950/t (+50 mesh)
- Large flake \$1,100/t (+80 mesh)
- Medium flake \$950/t (+100 to -80 mesh)
- Fine flake \$760/t (-100 mesh)



In view of the similarity between the Nicanda Hill Deposit in Mozambique and the Mahenge Project in Tanzania an average price for graphite has been selected at **US\$985** (94-97%C).

USD (94% - 97% C)	\$985
USD (100% C)	\$1,031
AUD:USD	0.7099
AUD Price	\$1,388

Base Value

A discount factor is applied to the contained value to recognise the JORC category and allow for resource risk.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	45%
Material Inventory	30%

Allowances for operating factors are also included in the assessment. Higher discounts for Recovery and Mining are included in view of the early stage of the project and lack of scoping study information.

Operations Factors	
Recovery	80.00%
Mining	80.00%
Processing	80.00%
Rail	75.00%
Port	75.00%
Capex	75.00%
Marketing	75.00%
Total Operating Discount	16.20%

The base value for the project is estimated by multiplying the contained value by the resource and operational discount factors.

$$\text{Base Value} = [\text{Contained Value}] * [\text{Resource Discount}] * [\text{Operating Discounts}]$$

	Cascade	Ulanzi	Epanko Nth West Zone	Epanko North Middle Zone	Total
Discounted Base Value A\$M					
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Inferred	-	-	-	-	-
Exploration Target	244.62	440.53	144.33	44.10	685.15
Material Inventory	-	-	-	-	-
Total	244.62	440.53	144.33	44.10	685.15
A\$ per tonne	\$9.74	\$9.82	\$7.02	\$10.90	

The Average Acquisition cost is estimated to be in the range of 2.5% to 5.6% of the Base Value with a preferred value of 3.4% of the discounted base value in accordance with the Spencer Test where the unencumbered price is agreed between a willing but not anxious vendor and purchaser. Further details of the valuation approach are included in the notes attached to this Report.

Technical Value

$$\text{Technical Value} = [\text{Base Value}] * [\text{Average Acquisition Cost}\%]$$

	Cascade	Ulanzi	Epanko Nth West Zone	Epanko North Middle Zone	Total
Total Project Technical Value, A\$M					
Low	6.36	11.45	3.75	1.15	17.81
High	8.81	15.86	5.20	1.59	24.67
Preferred	7.34	13.22	4.33	1.32	20.55
% of contained value	0.22%	0.22%	0.22%	0.22%	

MARKET VALUE

In arriving at a fair market value for a particular exploration tenement, Agricola has considered the country risk and current market for exploration properties in Tanzania. Assessment of country risk and an assessment of the Business Climate have been provided by an independent specialist firm (source: www.coface.com). The rating for Tanzania is 'B' for country risk and 'C' for business climate, which are considered to be moderate to high. Strengths include Mineral resources (gold), significant

gas potential with off-shore reserves discovered since 2010 and international support. Weaknesses include inadequate infrastructure, particularly in terms of energy (electricity) and transport, high dependence on the price of gold, religious tensions between Zanzibar and the mainland, exacerbated in context of Constitutional reform

This rating will affect the market factor in assessing market value.

The Company holds granted tenements over 680.9 km² of the Mahenge Graphite Project which are yet to be thoroughly explored. Initial indications are that further discoveries of graphite mineralisation or expansions of the current Exploration Targets may be possible which will add to the appeal of the project as a whole.

The Company holds seven tenement applications in the area, which have been recommended for granting. No exploration has yet been carried out by the Company but the area is prospective for further discoveries of graphite mineralisation. While these applications have not been separately valued they add to the market value of the Mahenge Graphite Project and would lead to a higher value if the project with to be offered for sale.

The current market value for mineral projects in Tanzania is considered to be depressed. A market discount of 30% has been applied to the Mahenge Graphite Project in recognition of the country risk, the possibility of further discoveries at Mahenge and the prospectivity of the pending tenement applications.

$$\text{Market Value} = [\text{Technical Value}] * [\text{Adjusted Market Factor}]$$

BLACK ROCK MINING LIMITED		Market Value, A\$M		
	Market Factor	Low	High	Preferred
Exploration Targets				
Cascade	70%	4.45	6.16	5.14
Ulanzi	70%	8.02	11.10	9.25
Epanko Nth West Zone	70%	2.63	3.64	3.03
Epanko North Middle Zone	70%	0.80	1.11	0.93
Subtotal		15.90	22.01	18.35

Agricola has reviewed alternative comparative valuation methods 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 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."*

Alternative methods such as Market Capitalisation (MCap) and Enterprise Value (EV) are not prohibited by RG111 to form the basis of comparable transaction analysis both MCap and EV include elements relating to corporate valuation such as cash and debt levels, management skills and reputation and many others which are independent of mineral asset values.

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 method set out in this report is considered appropriate for valuation of mineral resources.

VALUATION OPINION

Based on an assessment of the factors involved the estimate of the market value of the Mahenge Graphite Project is in the range of A\$15.9 million to A\$22.0 million with a preferred value of A\$18.4 million.

This valuation is effective on 4 November 2015.

Background notes and details of the Valuation process adopted by Agricola are included as an appendix to this Report.



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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<p>The Meaning of Value – Scope of the Report</p>
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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.

Judicial interpretation

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.

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.

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 Equivalent – 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.

Mineral assets classification	
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: Geoscience Factor, Prospectivity Enhancement Multiplier, Yardstick (Rule of Thumb).</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: Comparable Transactions. Yardstick (Rule of Thumb)</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: Comparable Transactions, Discounted Cash Flow (if Ore Reserves have been estimated)</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: Discounted Cash Flow.</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: Discounted Cash Flow.</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:

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.

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)**

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)**

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)**

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)**

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 km² or per ha). It is probably the most difficult comparative tool to justify.

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 km² 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.

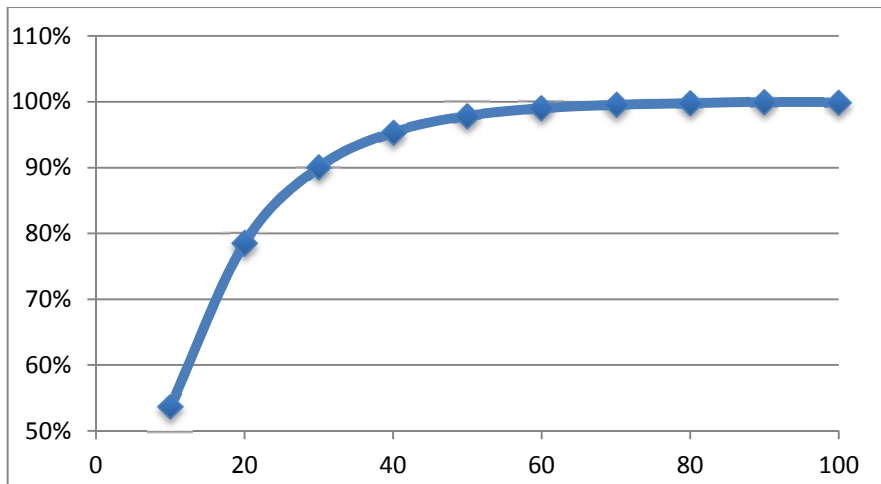
The resultant cash flow is then used to derive the net present value (NPV) of the operation at a predetermined discount rate or a range of discount rates. The derived NPV, on which the return on investment can be calculated, is used as a proxy for the operation's implicit value. This is often compared 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
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 25th, 50th and 75th 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%

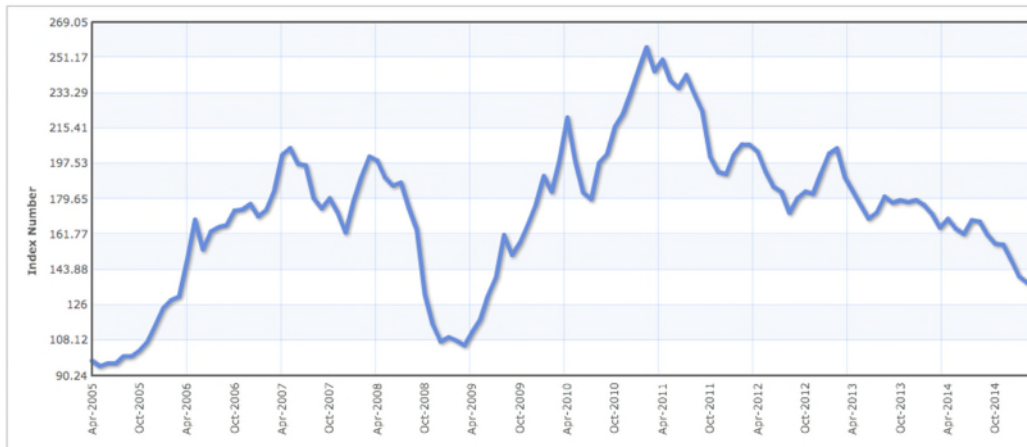
The AAC method percentiles are derived from Canadian Merger and Acquisitions activity in the gold industry. The original database provided \$/ounce values for producing and non-producing asset sales for a period of years and Agricola has recalculated this as a percentage of metal value so it can be related 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.

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.

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).

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.

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
Low	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
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium 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%)
High	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

PEM Range	Criteria
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 km² 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 300km² 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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Proxy Form

XX

For your vote to be effective it must be received by 10:00am (WST) Wednesday, 16 December 2015

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions

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

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

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

Attending the Meeting

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

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

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

SRN/HIN: I9999999999



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

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

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



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Black Rock Mining Limited hereby appoint

the Chairman of the Meeting **OR**

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Black Rock Mining Limited to be held at 50 Ord Street, West Perth, Western Australia on Friday, 18 December 2015 at 10:00am (WST) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

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

		For	Against	Abstain
Resolution 1	Ratification of Prior Issue of Shares to Kabunga Holdings Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of Prior Issue of Initial Placement of Shares and Options (Tranche 1 Placement)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Placement of Shares and Options (Tranche 2 Placement)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Issue of Placement Securities to the Copulos Group under the Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Participation of Mr Gabriel Chiappini in the Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Participation of Mr Steven Tambanis in the Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Shares in Consideration for Exercise of the Bagamoyo Option	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Options to Gleneagle Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / /

B K T

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Computershare +