# METALLUM LIMITED

# ACN 149 230 811

# NOTICE OF GENERAL MEETING

**TIME**: 10.00am WST

**DATE**: 26 February 2016

**PLACE**: Suite 5, 62 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.***

***The Independent Expert has deemed Resolution 2 to be fair and reasonable to the non associated Shareholders of the Company.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Ms Shannon Coates, on +61 8 9322 4328.***

## CONTENTS



## IMPORTANT INFORMATION

### TIME AND PLACE OF MEETING

Notice is given that the General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00am WST on 26 February 2016 at:

Suite 5, 62 Ord Street
WEST PERTH WA 6005

### YOUR VOTE IS IMPORTANT

The business of the General 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 General Meeting are those who are registered Shareholders at 4.00pm (WST) on 24 February 2016.

### VOTING IN PERSON

To vote in person, attend the General 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, members 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 on a poll, who must vote the proxies as directed.

Further details on these changes are set out below.

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

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

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

### ORDINARY BUSINESS

### 1. RESOLUTION 1 – APPROVAL FOR SALE OF MAIN UNDERTAKING

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

> *"That, for the purposes of Listing Rule 11.2 and for all other purposes, approval is given for the disposal by the Company of its main business undertaking, for the purposes and on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Voting Exclusion**: The Company will disregard any votes cast on Resolution 1 by any person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 1 is passed and any associates of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

### 2. RESOLUTION 2 – APPROVAL FOR SALE OF MAIN UNDERTAKING TO RELATED PARTIES

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

> *"That, subject to the passing of Resolution 1 and for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.1 and for all other purposes, approval is given by the Shareholders of the Company to dispose of its main business undertaking to the Related Parties, for the purposes and on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Voting Exclusion**: The Company will disregard any votes cast on Resolution 2 by any person who is deemed to be a Related Party to the Company or by any associates of that person, being a person who might obtain a financial benefit by the passing of that Resolution. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

## 3. RESOLUTION 3 – APPROVAL TO ISSUE SECURITIES ON CONVERSION OF CONVERTIBLE LOAN

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

> *"That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 8,000,000,000 Shares at a deemed issue price of $0.00005 per Share and 8,000,000,000 free attaching Options on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 3 by any of the persons who may participate in the issue the subject of Resolution 3 and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 3 is passed and any associates of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

## 4. RESOLUTION 4 – APPROVAL TO ISSUE CAPITAL RAISING 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 Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 40,000,000,000 Shares at an issue price of $0.00005 per Share and 40,000,000,000 free attaching Options on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 4 by any of the persons who may participate in the issue the subject of Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 4 is passed and any associates of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

## 5. RESOLUTION 5 – APPROVAL FOR RELATED PARTY TO SUB UNDERWRITE CAPITAL RAISING - WINTON WILLESEE

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 4 and for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company*

*to issue up to 2,000,000,000 Shares at an issue price of $0.00005 per Share and 2,000,000,000 free attaching Options to Mr Winton Willesee (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 5 by Mr Winton Willesee (or his nominee) and any of Mr Willesee's associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

**Voting Prohibition Statement:**

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

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair; and

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

## 6. RESOLUTION 6 – APPROVAL FOR RELATED PARTY TO PARTICIPATE IN CAPITAL RAISING – WINTON WILLESEE

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 4 and for the purposes of section 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 188,000,000 Shares and 188,000,000 free attaching Options to Mr Winton Willesee (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 6 by Mr Winton Willesee (or his nominee) and any of Mr Willesee's associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

**Voting Prohibition Statement:**

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

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair; and

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

## 7. RESOLUTION 7 – APPROVAL FOR RELATED PARTY TO PARTICIPATE IN CAPITAL RAISING – SHANNON COATES

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 4 and for the purposes of section 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 31,835,215 Shares and 31,835,215 free attaching Options to Ms Shannon Coates (or her nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 7 by Ms Shannon Coates (or her nominee) and any of Ms Coates' associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

**Voting Prohibition Statement:**

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

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair; and

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

## 8. RESOLUTION 8 – APPROVAL FOR RELATED PARTY TO PARTICIPATE IN CAPITAL RAISING – ZEFFRON REEVES

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 4 and for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 110,025,825 Shares and 110,025,825 free attaching Options to Mr Zeffron Reeves (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 8 by Mr Zeffron Reeves (or his nominee) and any of Mr Reeves' associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

**Voting Prohibition Statement:**

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

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair; and

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

## 9. RESOLUTION 9 – APPROVAL FOR RELATED PARTY TO PARTICIPATE IN CAPITAL RAISING – COLIN JOHNSTONE

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 4 and for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 2,191,771,727 Shares and 2,191,771,727 free attaching Options to Mr Colin Johnstone (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 9 by Mr Colin Johnstone (or his nominee) and any of Mr Johnstone's associates. However, the

Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

**Voting Prohibition Statement:**

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

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair; and

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

## 10. RESOLUTION 10 – APPROVAL TO ISSUE SECURITIES TO RELATED PARTY IN LIEU OF CASH PAYMENT FOR FEES – WINTON WILLESEE

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

> *"That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,702,949,000 Shares at a deemed issue price of $0.00005 per Share and up to 1,702,949,000 free attaching Options to Mr Winton Willesee (or his nominee) in lieu of cash payment for fees and on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 10 by Mr Winton Willesee (or his nominee) and any of Mr Willesee's associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

**Voting Prohibition Statement:**

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

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair; and

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

## 11. RESOLUTION 11 – APPROVAL TO ISSUE SECURITIES TO RELATED PARTY IN LIEU OF CASH PAYMENT FOR FEES – ERLYN DALE

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

> *"That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 400,000,000 Shares at a deemed issue price of $0.00005 per Share and up to 400,000,000 free attaching Options to Ms Erlyn Dale (or her nominee) in lieu of cash payment for fees and on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 11 by Ms Erlyn Dale (or her nominee) and any of Ms Dale's associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

**Voting Prohibition Statement:**

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

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair; and

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

## 12. RESOLUTION 12 – APPROVAL TO ISSUE SECURITIES TO RELATED PARTY IN LIEU OF CASH PAYMENT FOR FEES – SHANNON COATES

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

> *"That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 400,000,000 Shares at a deemed issue price of $0.00005 per Share and up to 400,000,000 free attaching Options to Ms Shannon Coates (or her nominee) in lieu of cash payment for fees and on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 12 by Ms Shannon Coates (or her nominee) and any of Ms Coates' associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

**Voting Prohibition Statement:**

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

(a) the proxy is either:

  (i) a member of the Key Management Personnel; or

  (ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair; and

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

## 13. RESOLUTION 13 – APPROVAL TO ISSUE SECURITIES TO RELATED PARTY IN LIEU OF CASH PAYMENT FOR FEES – ZEFFRON REEVES

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

> *"That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 865,920,000 Shares at a deemed issue price of $0.00005 per Share and up to 865,920,000 free attaching Options to Mr Zeffron Reeves (or his nominee) in lieu of cash payment for fees and on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 13 by Mr Zeffron Reeves (or his nominee) and any of Mr Reeves' associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person

who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

**Voting Prohibition Statement:**

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

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair; and

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

## 14. RESOLUTION 14 – APPROVAL TO ISSUE SECURITIES TO RELATED PARTY IN LIEU OF CASH PAYMENT FOR FEES – COLIN JOHNSTONE

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

> *"That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 556,226,000 Shares at a deemed issue price of $0.00005 per Share and up to 556,226,000 free attaching Options to Mr Colin Johnstone (or his nominee) in lieu of cash payment for fees and on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 14 by Mr Colin Johnstone (or his nominee) and any of Mr Johnstone's associates. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

***For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it extends to the Listing Rules and on the basis that the Company is the "designated body".***

**Voting Prohibition Statement:**

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

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair; and

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

## 15. RESOLUTION 15 – APPROVAL TO ISSUE SECURITIES TO UNRELATED CREDITORS

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

> *"That, for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 8,000,000,000 Shares at a deemed issue price of $0.00005 per Share and up to 8,000,000,000 free attaching Options to creditors of the Company, on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 15 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 as holder of ordinary securities, if Resolution 15 is passed, and any associates of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

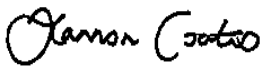
## 16. RESOLUTION 16 – CONSOLIDATION

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 Resolutions 1, 2, 3 and 4 and for the purpose of Section 254H(1) of the Corporations Act and for all other purposes, the Shares of the Company be consolidated through the conversion of every four hundred (400) Shares held by a Shareholder into one (1) Share with any resulting fractions of a Share rounded up to the next whole number of Shares with a corresponding consolidation of all other securities on issue, with the consolidation to take effect in accordance with the timetable and otherwise on the terms and conditions set out in the Explanatory Statement that forms part of this Notice."*

## 17. OTHER BUSINESS

To transact any other business which may be properly brought before the Meeting in accordance with the Company's Constitution and the Corporations Act.



**Shannon Coates**
**Company Secretary**
**21 January 2016**

## 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. RESOLUTIONS 1 AND 2 – APPROVAL FOR SALE OF MAIN UNDERTAKING AND APPROVAL FOR SALE OF MAIN UNDERTAKING TO RELATED PARTIES

### 1.1 Background

The Company is seeking Shareholder approval pursuant to Resolution 1, to allow the Company to sell its Chilean assets, being its main business undertaking.

Furthermore, pursuant to Resolution 2, the Company is also seeking Shareholder approval to sell what was until recently its Chilean assets prior to re-focusing on its Teutonic Project in Western Australia to Rio Verde Holdings Pty Ltd (**Rio Verde Holdings**), a company controlled by the Company's Chairman Winton Willesee, and former Directors Zeffron Reeves and Colin Johnstone (together **Related Parties**).

If the Company does not receive Shareholder approval to dispose of its main business undertaking to the Related Parties under Resolution 2, or if the Transaction (as defined below) is not completed, then pursuant to Resolution 1 the Company will seek to dispose of its main undertaking to an unrelated party or unrelated parties of the Company.

As announced on 15 September 2015, the Company halted mining operations and stood down all production staff at its El Roble Copper Project (**El Roble Project**) in Chile. As a result of recent falls in the copper price, the dramatic price decrease of the ENAMI tariff for delivered ore and the anticipated removal by the Chilean government of the copper price support mechanism, the El Roble Project became uneconomic for the Company and it was considered necessary by the former Board to place the mine onto care and maintenance.

Due to capital restraints, the Company was not in a position to meet the most recent option payment for the El Roble Project concessions and accordingly the option expired and as a result the Company no longer has access to these concessions. The Company's remaining assets and interests in Chile (**Chilean Assets**), held indirectly via its wholly owned Australian subsidiary Atacama Holdings Pty Ltd (**Atacama Holdings**) comprise:

| Tenement | Name | Location | Size (ha) | Grant Date | Expiry Date | % Ownership |
|---|---|---|---|---|---|---|
| **San Sebastian** | El Roble | Region III, Chile | 50 | n/a | n/a | 100% |
| **Panga Mine** | El Roble | Region III, Chile | 11 | n/a | n/a | n/a[2] |
| **Paraguay Mine** | El Roble | Region III, Chile | 5 | n/a | n/a | n/a[2] |
| **Total** | | | **66 ha** | | | |

**Notes:**

1. As announced on 4 December 2013, the Company has signed a production lease agreement over four concessions (Bolivia, Uruguay, Ecuador and Argentina) which comprise the Panga Mine. As further announced on 28 May 2014, the Company has signed a production lease agreement over an

additional concession comprising the Paraguay Mine. These concessions are 100% owned by Sociedad Minera Panga De El Roble, an unrelated party

As announced on 15 October 2015, the Company considered various options regarding all of its assets and, in light of depressed copper prices and severe constraints on access to capital for the development of its resource projects, the expiration of the El Roble Project option, and following the determination that a restart of operations in Chile is not viable in the short or medium term, the Company determined to seek to dispose of its wholly owned subsidiary Atacama Holdings, which indirectly holds the Chilean Assets.

It is anticipated that the disposal of Atacama Holdings will afford the Company the ability to reduce the ongoing cash drain on the limited funds of the Company while transferring all liabilities in respect of the Chilean companies and current and future entitlements of those companies.

A conditional Share Sale Agreement (**Share Sale Agreement**) has been executed with Rio Verde Holdings, a company controlled by the Related Parties, all of whom are related parties of the Company for the purposes of Listing Rules 10.1, 11.2 and Chapter 2E of the Corporations Act 2001 *(Cth)* (**Transaction**). The Transaction is conditional upon Shareholder approval, which is the subject of Resolution 2 of this Notice, and there being no superior bids for the Chilean Assets received from a third party.

Pursuant to the Share Sale Agreement, Rio Verde Holdings has conditionally agreed to acquire Atacama Holdings, which holds a 100% interest in all the Chilean entities, for a nominal consideration of $1, to effectively take assignment of the current liabilities of the Chilean companies and entire Chilean operations, which as at the date of this Notice currently stands at approximately $394,000.

The Company has obtained an Independent Expert's Report (**IER**) from Stantons International Securities Pty Ltd (**Independent Expert**] to address the fairness and reasonableness of the proposed sale of Atacama Holdings to the Related Parties. The IER is included in full in Schedule 1.

The Independent Expert has concluded that the sale of Atacama Holdings to the Related Parties is **fair and reasonable**.

### 1.2 Material terms and conditions of the Share Sale Agreement

The Share Sale Agreement is between the Company, Atacama Holdings and Rio Verde Holdings, a company controlled by the Related Parties. The Share Sale Agreement is conditional upon receiving the approval of Shareholders for the Company to dispose of its main undertaking to the Related Parties, being Resolutions 1 and 2 of this Notice, before 31 March 2016, as well as no superior bids being received for the Chilean Assets from other parties. Settlement pursuant to the Share Sale Agreement will occur on the date which is 5 Business Days upon satisfaction or waiver of the abovementioned conditions.

Rio Verde Holdings will assume all liabilities of Atacama Holdings, other than the intercompany loan of $85,500 from Rio Verde Holdings to Atacama Holdings to meet working capital requirements (**Loan**), on and from the date of Settlement. At the election of Rio Verde Holdings, the Loan can be secured against the assets of Atacama Holdings. Upon Settlement, the Loan will be written off and extinguished in its entirety. In the event a superior proposal is accepted by the Company or Shareholder approval is not received pursuant to this Resolution 1, the Loan shall be immediately repayable, and guaranteed by the Company should Atacama Holdings not make the repayment.

### 1.3 Value of financial benefit

The value of the financial benefit of the Share Sale Agreement to the Company is set out in Section 5 of the IER. The balance sheet sets out the financial impact of the Transaction on the Company by comparing the Company's financial position before and after the Transaction.

### 1.4 Listing Rules and Corporations Act

As the Transaction contemplated by Resolution 2 involves related parties to the Company, the Company seeks Shareholder approval to comply with the regulatory requirements of Chapter 2E of the Corporations Act as well as Listing Rules 10.1 and 11.2.

*Listing Rules 10.1 and 11.2*

Listing Rule 10.1 provides a general restriction on a listed company from disposing of a substantial asset to a related party, without Shareholder approval. Shareholder approval is required to comply with Listing Rule 10.1 since Rio Verde Holdings is a related party of the Company and the Transaction under the Share Sale Agreement may be considered to be the disposal of a substantial asset for the purposes of the rule.

Listing Rule 11.2 provides that an entity must not dispose of its main undertaking without obtaining the approval of its Shareholders. Listing Rule 11.2 further provides that a listed entity must not enter into an agreement to dispose of its main undertaking unless the agreement is conditional on that entity getting that approval. The Company confirms that the Share Sale Agreement that has been entered into is conditional upon Shareholder approval as the Company will be disposing of a main undertaking.

*Section 208 of the Corporations Act*

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. The Share Sale Agreement entered into constitutes the provision of a financial benefit to a related party. Section 229 of the Corporations Act includes as an example of a "financial benefit" the sale of assets to a related party.

A "related party" is widely defined under the Corporations Act and includes a director of a Company and a person who may become a director. An entity controlled by a related party (as defined in the Act) is also a related party of the public company. For these reasons, Rio Verde Holdings, a company controlled by the Company's current Chairman, Mr Winton Willesee and former Company Directors, Messrs Zeffron Reeves and Colin Johnstone, by virtue of the fact that Mr Willesee is a Director of the Company and Messrs Reeves and Johnstone were Directors in the 6 month period preceding the date of execution of the Share Sale Agreement, are considered related parties of the Company.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

(a) the giving of financial benefit falls within an exemption to the provision; or

(b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after Shareholder approval is received.

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rules 10.1 and 11.2, the following information is provided in relation to the proposed Transaction:

(a) The related parties are the Company's Chairman Mr Winton Willesee, and former Directors Mr Zeffron Reeves and Mr Colin Johnstone, who all control Rio Verde Holdings.

(b) The Company will sell the entire issued capital of Atacama Holdings to the Related Parties. Section 5 of the Independent Expert's Report accompanying this Explanatory Statement contains a valuation of the financial benefit.

(c) All of the Directors other than Mr Willesee recommend that Shareholders vote in favour of Resolution 2 based on the content of the Independent Expert's Report accompanying this Explanatory Statement.

(d) Mr Willesee, a Director of the Company, controls Rio Verde Holdings and therefore has a material personal interest in the outcome of Resolution 2.

Mr Willesee did not participate in any deliberations by the Board in respect of the Company's proposed disposal of its main undertaking. In addition, Mr Willesee was not present, and did not vote on, any Board resolution to approve the Company entering into the Transaction.

No other Directors have an interest in Resolution 2 other than an interest arising solely in their capacity as Shareholders of the Company.

(e) This Explanatory Statement sets out the information that Shareholders should consider in respect of the Transaction. In addition, each Shareholder should read the Independent Expert's Report in its entirety before making a decision as to how to vote on Resolution 2.

### 1.5 Interest of Directors (Share Sale Agreement)

As mentioned in Section 1.4, Messrs Willesee, Reeves and Johnstone are related parties of the Company and have an interest in the outcome of Resolution 2.

As per the voting exclusion statement in this Notice, Messrs Willesee, Reeves and Johnstone and their associates are excluded from voting on Resolution 2.

### 1.6 Independent Expert's Report

Ms Shannon Coates and Miss Erlyn Dale (**Independent Directors**) who have no material personal interest in the outcome of Resolution 2 resolved to appoint the Independent Expert and commissioned it to prepare an IER to provide an opinion as to whether or not the Transaction the subject of Resolution 2 is fair and reasonable to existing Shareholders.

The IER is also provided to satisfy the requirements of Chapter 2E of the Corporations Act and Listing Rule 10.1. What is fair and reasonable must be judged by the Independent Expert in all circumstances of the Transaction, including the likely advantages to Shareholders if the proposal is approved and comparing them with the disadvantages if the proposal is not approved.

The Independent Expert has concluded that the Transaction proposed by Resolution 1 is **fair and reasonable** to the existing non-related Shareholders,

although Shareholders are strongly advised to read the report carefully in full for the purpose of forming their own views as to the appropriateness of the Transaction.

### 1.7 Consideration of Alternative Proposals

The Company has not to date received any formal proposals to acquire the Chilean Assets, other than the Share Sale Agreement with the Related Parties. The Independent Directors have considered alternative options available to the Company and consider that in the absence of a superior proposal, the Transaction contemplated by Resolution 2 provides the most beneficial outcome to Shareholders.

### 1.8 Directors' Recommendation

The Independent Directors recommend Shareholders vote in favour of Resolutions 1 and 2.

## 2. RESOLUTION 3 – APPROVAL TO ISSUE SECURITIES IN CONVERSION OF CONVERTIBLE LOAN

### 2.1 General

As announced to ASX on 15 October 2015, the Company accepted a recapitalisation proposal from its corporate adviser, Merchant Corporate Finance Pty Ltd (**Merchant Corporate**) to assist the Company in re-capitalising via a capital raising to provide funding to meet creditor obligations, advance the Teutonic Project, review the Comval Project and seek additional opportunities and a convertible loan to provide short term working capital (together **Recapitalisation**).

On 27 October 2015, the Company entered into a Convertible Loan Agreement (**Convertible Loan**) with Merchant Corporate, as trustee for various lenders, for up to $400,000. The Convertible Loan was secured against the Company and its assets (including the Chilean Assets) and, subject to Shareholder approval being obtained prior to 31 March 2016, will be converted to Shares and Options in the Company no later than 5 Business Days after the date of the Shareholder meeting to approve the abovementioned Recapitalisation.

The Convertible Loan will convert to Shares in the Company at a deemed issue price of $0.00005 per Share, and include a free attaching Option exercisable at $0.00006 each and expiring on 31 July 2016 for every Share issued (together **Conversion Securities**). Please refer to Schedule 2 for the terms and conditions of the Options.

An interest rate of 20% per annum is applied to any funds able to be drawn down pursuant to the Convertible Loan, which will be settled in Shares and Options on the same terms as the Conversion Securities. The Company intends to issue these additional securities from its 15% annual placement capacity. Merchant Corporate will also charge a fee of 6% on the amount of the funds available to be drawn down pursuant to the Convertible Loan, to be paid in cash.

In the event Shareholder approval for conversion of the Convertible Loan is not received prior to 31 March 2016 in the absence of an agreement to extend this date, the Company must repay the outstanding Convertible Loan and interest in cash.

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 shares on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Directors to issue the Conversion Securities on conversion of the Convertible Loan pursuant to Resolution 3 during the period of 3 months after the date of the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 2.2 Technical information required by Listing Rule 7.3

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

(a) The maximum number of Conversion Securities to be issued on conversion of the Convertible Loan is 8,000,000,000 Shares and 8,000,000,000 Options;

(b) The Conversion Securities 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 Listing Rules) and it is proposed that the Conversion Securities will be allotted on the same date;

(c) The Shares issued pursuant to the Convertible Loan will be issued at a deemed issue price of $0.00005 per Share and nil per Option as the Options will be issued free attaching with the Shares on a 1 for 1 basis;

(d) The Conversion Securities will be issued to various lenders pursuant to the Convertible Loan Agreement, none of whom are related parties of the Company;

(e) The Shares issued pursuant to the conversion of the Convertible Loan 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. The full terms and conditions of the Options are as set out in Schedule 2; and

(f) The funds raised pursuant to the Convertible Loan have and will be used to advance the Company's Teutonic Project in Western Australia, including drilling to test the Mustang electromagnetic conductor at Teutonic and general working capital.

### 2.3 Directors Recommendation

The Directors unanimously recommend Shareholders vote in favour of Resolution 3.

## 3. RESOLUTION 4 – APPROVAL TO ISSUE CAPITAL RAISING SECURITIES

### 3.1 General

The Company proposes to undertake an Offer to investors to raise $2 million by the issue of 40 billion Shares (**Offer Shares**) at an issue price of $0.00005 per Offer Share and free attaching Options (**Offer Options**) on a one for one basis (together the **Offer Securities**) in each case, before costs (**Capital Raising**). The Capital Raising will be made available to all existing Shareholders of the Company and the Board intends to adopt an allocation policy that favours existing Shareholders.

Subject to an underwriting agreement being agreed between the parties, the Capital Raising will be underwritten by Merchant Corporate.

Further details of the Capital Raising and its risks can be viewed in the Prospectus expected to be released on ASX on or around 8 February 2016.

Resolution 4 seeks Shareholder approval to issue the abovementioned Capital Raising Shares and Options pursuant to Listing Rule 7.1.

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

The effect of Resolution 4 will be to allow the Directors to issue the Capital Raising Shares and Options under the Capital Raising pursuant to Resolution 4 during the 3 months after the Meeting (or a longer period, if allowed by ASX) without using the Company's annual 15% placement capacity.

### 3.2 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the Shares and Options to be issued pursuant to the Capital Raising:

(a) The maximum number of securities to be issued is 40 billion Capital Raising Shares and 40 billion Capital Raising Options;

(b) The Capital Raising 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 Listing Rules) and it is intended that allotment will occur on the same date;

(c) The issue price will be $0.00005 per Capital Raising Share. No cash consideration is payable for the Capital Raising Options as they are free attaching Options;

(d) The Directors will determine to whom the Capital Raising Shares and Options will be issued, none of whom will be related parties of the Company other than Directors and former Directors as set out in Resolutions 5-9 in this Notice;

(e) The Capital Raising 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. The Capital Raising Options will be exercisable at $0.00006 each and expiring 31 July 2016 and otherwise on the terms and conditions set out in Schedule 2;

(f) The Company intends to use the $2 million (before costs) raised from the Capital Raising towards:

(i) payment to Creditors, capital raising fees and costs associated with the Transaction ($850,000);

(ii) drilling of the Mustang Target and an additional follow up work program at the Mustang Target (250,000); and

(iii) general working capital (900,000).

### 3.3 Directors Recommendation

The Directors unanimously recommend Shareholders vote in favour of Resolution 4.

## 4. RESOLUTION 5 – APPROVAL FOR RELATED PARTY TO SUB-UNDERWRITE CAPITAL RAISING - WINTON WILLESEE

### 4.1 General

Resolution 4 seeks approval for the Company to undertake the Capital Raising. Subject to an underwriting agreement being entered into, Merchant Corporate will underwrite the Capital Raising. Merchant Corporate has advised that it intends to engage sub-underwriters.

Subject to Shareholder approval pursuant to this Resolution 5, Mr Winton Willesee intends to partially sub-underwrite the Capital Raising to $100,000, which will result in the issue of 2,000,000,000 Shares and 2,000,000,000 free attaching new Options, exercisable at $0.00006 on or before 31 July 2016 for every Share issued (**Sub-Underwriting Securities**).

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

A summary of Chapter 2E of the Corporations Act is set out in section 1.4 above.

The issue of the Sub-Underwriting Securities will result in the issue of Shares and Options which constitutes giving a financial benefit to a related party. Mr Willesee is a related party of the Company by virtue of the fact that Mr Willesee is a Director of the Company.

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

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

Ms Shannon Coates and Ms Erlyn Dale, being Directors who do not have a material personal interest in the outcome of Resolution 5, consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Sub-Underwriting Securities because the issue to Mr Willesee is on the same terms as other sub-underwriting agreements entered into by Merchant Corporate and as such the giving of the financial benefit is considered to be on arm's length terms.

### 4.3 Technical Information required by Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the Sub-Underwriting Securities:

(a) the Sub-Underwriting Securities will be issued to Mr Winton Willesee, or his nominee;

(b) the maximum number of Sub-Underwriting Securities to be issued is 2,000,000,000 Shares and 2,000,000,000 Options;

(c) the Sub-Underwriting Securities 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 Listing Rules);

(d) the issue price of the Shares will be $0.00005 per Share, being the same as all other Shares issued under the Capital Raising. The Options are free attaching and are being issued for nil consideration;

(e) a voting exclusion statement is included in the Notice;

(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 and the Options will be exercisable at $0.00006 on or before 31 July 2016. The full terms of the Options are set out in Schedule 2; and

(g) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out in section 3.2 of this Explanatory Statement.

Approval pursuant to Listing Rule 7.1 is not required for the issue of the Sub-Underwriting Securities as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Shares to Mr Winton Willesee (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

### 4.4 Directors Recommendation

The Directors (other than Mr Willesee) unanimously recommend Shareholders vote in favour of Resolution 5.

## 5. RESOLUTIONS 6 – 9 APPROVAL FOR RELATED PARTIES TO PARTICIPATE IN CAPITAL RAISING

### 5.1 General

Pursuant to Resolution 4, the Company is seeking Shareholder approval to issue the Capital Raising Securities, being up to 40,000,000,000 Shares at an issue price of $0.00005 per Share, together with one free attaching Option for every Share issued, to raise approximately $2 million (before costs).

As Shareholders, current Directors, Mr Winton Willesee and Ms Shannon Coates, and former Directors Messrs Zeffron Reeves and Colin Johnstone (together, the **Related Party Participants**) wish to participate in the Capital Raising, subject to Shareholder approval being obtained.

Consequently, Resolutions 6 to 9 seek Shareholder approval for the issue of up to a total of 2,521,632,767 Shares and 2,521,632,767 Options to the Related Party Participants (or their nominees) arising from the participation by the Related Party Participants in the Capital Raising (**Participation**).

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

A summary of Chapter 2E of the Corporations Act is set out in section 1.4 and a summary of Listing Rule 10.11 is set out in section 4.2 above.

The Participation will result in the issue of Shares and Options which constitutes giving a financial benefit to related parties. The Related Party Participants are related parties of the Company by virtue of the fact that Mr Willesee and Ms Coates are current Directors of the Company and Messrs Reeves and Johnstone were Directors in the 6 month period preceding the date of the Meeting.

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

Each Director, who does not have a material personal interest in the relevant resolution, considers that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because Shares will be issued to the Related Party Participants on the same terms as Shares issued to non-related party participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms.

### 5.3 Technical Information required by Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the Participation:

(a) the Shares and Options will be issued to Messrs Willesee, Reeves and Johnstone and Ms Coates (or their respective nominees);

(b) the maximum number of Shares and Options to be issued is:

(i) up to 188,000,000 Shares and 188,000,000 Options to Winton Willesee (or his nominee) (Resolution 6);

(ii) up to 31,835,215 Shares and 31,835,215 Options to Shannon Coates(or her nominee) (Resolution 7);

(iii) up to 110,025,825 Shares and 110,025,825 Options to Zeffron Reeves (or his nominee) (Resolution 8); and

(iv) up to 2,191,771,727 Shares and 2,191,771,727 Options to Colin Johnstone (or his nominee) (Resolution 9);

The above figures have been calculated by reference to each person's Shareholding in the Company.

(c) the Shares and 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 Listing Rules);

(d) the issue price of the Shares will be $0.00005 per Share, being the same as all other Shares issued under the Capital Raising. The Options are being issued for nil consideration;

(e) a voting exclusion statement is included in the Notice;

(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 and the Options will be exercisable at $0.00006 on or before 31 July 2016. The full terms of the Options are set out in Schedule 2; and

(g) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out in section 3.2 of this Explanatory Statement.

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

## 6. RESOLUTIONS 10 - 14 – APPROVAL TO ISSUE SECURITIES TO RELATED PARTIES IN LIEU OF CASH PAYMENT FOR FEES

### 6.1 General

The Company has agreed, subject to obtaining Shareholder approval, to the issue by the Company of:

(a) up to 1,702,949,000 Shares and 1,702,949,000 Options to Mr Winton Willesee (or his nominee) in lieu of accrued and future Directors' fees (Resolution 10);

(b) up to 400,000,000 Shares and 400,000,000 Options to Ms Erlyn Dale (or her nominee) in lieu of accrued and future Directors' fees (Resolution 11);

(c) up to 400,000,000 Shares and 400,000,000 Options to Ms Shannon Coates (or her nominee) in lieu of accrued and future Directors' fees (Resolution 12);

(d) up to 865,920,000 Shares and 865,920,000 Options to Mr Zeffron Reeves (or his nominee) in lieu of accrued Directors' fees (Resolution 13); and

(e) up to 556,226,000 Shares and 556,226,000 Options to Mr Colin Johnstone (or his nominee) in lieu of accrued Directors' fees (Resolution 14),

(together the **Related Party Securities**) on a pre-consolidated basis and on the terms and conditions set out below.

Resolutions 10, 11, 12, 13 and 14 seek Shareholder approval for the issue of the Related Party Securities to the Directors and former Directors (or their nominees). To the extent Shareholders do not approve the issue of the Shares and Options, the Directors and former Directors will be entitled to be paid their respective salary and fees in cash.

It is proposed that the Related Party Securities will be issued at the same time and on the same terms as those offered under the Capital Raising.

### 6.2 Related Party Securities

In relation to the Related Party Securities, the Company will issue Directors the following:

(a) up to 1,702,949,000 Shares and 1,702,949,000 Options to Mr Winton Willesee (or his nominee) in lieu of accrued Directors' fees owed to Mr Willesee for the period from 1 April 2015 to 31 October 2015 to the face value of $35,147.45 plus $50,000 in Directors' fees agreed to be paid to Mr Willesee for the 6 month period to 30 April 2016;

(b) up to 400,000,000 Shares and 400,000,000 Options to Ms Erlyn Dale (or her nominee) in lieu of $20,000 in Directors' fees agreed to be paid to her for the 6 month period to 30 April 2016;

(c) up to 400,000,000 Shares and 400,000,000 Options to Ms Shannon Coates (or her nominee) in lieu of $20,000 in Directors' fees agreed to be paid to her for the 6 month period to 30 April 2016;

(d) up to 865,920,000 Shares and 865,920,000 Options to Mr Zeffron Reeves (or his nominee) in lieu of accrued Directors' fees owed to Mr Reeves for the period from 1 September 2015 to 31 October 2015 to the face value of $43,296.00; and

(e) up to 556,226,000 Shares and 556,226,000 Options to Mr Colin Johnstone (or his nominee) in lieu of accrued Directors' fees owed to Mr Johnstone for the period from 1 April 2015 to 15 October 2015 and accrued interest on the loan, to the face value of $27,811.30.

### 6.3 Maximum issue of Related Party Securities that may be issued

Section 6.1 sets out the maximum number of Related Party Securities that may be issued under Resolutions 10 to 14. The dilutionary effect on existing Shareholders' shareholdings if the maximum number of Related Party Securities are issued is set out below:

| Director/Former Director | Related Party Shares | Related Party Options | Dilutionary effect on existing Shareholders of Shares |
|---|---|---|---|
| Winton Willesee | 1,702,949,000 | 1,702,949,000 | 2.80% |
| Erlyn Dale | 400,000,000 | 400,000,000 | 0.66% |
| Shannon Coates | 400,000,000 | 400,000,000 | 0.66% |
| Zeffron Reeves | 865,920,000 | 865,920,000 | 1.42% |
| Colin Johnstone | 556,226,000 | 556,226,000 | 0.92% |

### 6.4 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in section 1.4 and a summary of Listing Rule 10.11 is set out in section 4.2 above.

The Participation will result in the issue of Shares and Options which constitutes giving a financial benefit and the Related Party Participants are related parties of the Company by virtue of the fact that Mr Willesee, Ms Dale and Ms Coates are Directors of the Company and Messrs Reeves and Johnstone were Directors in the 6 month period preceding the date of the Meeting.

The Directors (other than in relation to their own resolution in which they have a material personal interest) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Related Party Securities because the payment of Directors' fees are considered

reasonable remuneration in the circumstances and were negotiated on an arm's length basis.

### 6.5 Technical Information required by Listing Rule 10.13

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

(a) the Related Party Securities will be issued to Messrs Willesee, Reeves and Johnstone, Ms Dale and Ms Coates (or their respective nominees);

(b) the maximum number of Related Party Securities to be issued is 3,808,657,200 Shares and 3,808,657,200 Options;

(i) up to 1,702,949,000 Shares and 1,702,949,000 Options to Winton Willesee (or his nominee);

(ii) up to 400,000,000 Shares and 400,000,000 Options to Erlyn Dale (or her nominee);

(iii) up to 400,000,000 Shares and 400,000,000 Options to Shannon Coates (or her nominee);

(iv) up to 865,920,000 Shares and 865,920,000 Options to Zeffron Reeves (or his nominee); and

(v) up to 556,226,000 Shares and 556,226,000 Options to Colin Johnstone (or his nominee);

(c) the Related Party Securities 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 Listing Rules);

(d) the issue price of the Related Party Securities will be $0.00005 per Share, being the same as all other Shares issued under the Capital Raising. The Options are free attaching and are being issued for nil consideration;

(e) a voting exclusion statement is included in the Notice;

(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 and the Options will be exercisable at $0.00006 on or before 31 July 2016. The full terms of the Options are set out in Schedule 2. No funds will be raised pursuant to the issue of the Related Party Securities as the issue is in lieu of accrued or future Directors fees.

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

## 7. RESOLUTION 15 – APPROVAL TO ISSUE SECURITIES TO UNRELATED CREDITORS

### 7.1 General

As at the date of this Notice, the Company has a total of $360,492 owing to unrelated creditors (**Creditors**). In order to discharge this current amount plus any

additional amounts that become owing between the date of this Notice and the date of issue of the Securities (**Debts**) and maintain a greater portion of the Company's cash reserves, the Company and its Directors have agreed, subject to obtaining Shareholder approval, to issue Shares and Options to the Creditors in satisfaction of up to $400,000 of the Debts.

To this end, the Company has agreed, subject to obtaining Shareholder approval to issue up to 8,000,000,000 Shares at a deemed issue price of $0.00005 per Share and up to 8,000,000,000 free attaching Options (**Creditor Securities**), to the Creditors for nil cash consideration, in lieu of satisfaction of $400,000 of the Debts (**Creditor Issue**). Resolution 15 accordingly seeks Shareholder approval for the Creditor Issue.

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

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

### 7.2 Technical information required by Listing Rule 7.3

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

(a) The maximum number of Creditor Securities to be issued is 8,000,000,000 Shares and 8,000,000,000 Options;

(b) The Creditor Securities 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 Listing Rules) and it is intended that allotment will occur on the same date;

(c) The deemed Issue price of the Shares will be $0.00005 per Share, being the same issue price as the Shares proposed to be issued under the Capital Raising. The Options are being issued for nil consideration;

(d) The Creditor Securities will be issued to Creditors of the Company, none of whom are related parties of the Company;

(e) The Creditor Securities issued will be fully paid ordinary Shares and on the same terms and conditions as the Company's existing Shares and the Options will be exercisable at $0.00006 on or before 31 July 2016. The full terms of the Options are set out in Schedule 2; and

(f) No funds will be raised from the Creditor Issue as the Creditor Securities are being issued in satisfaction of up to $400,000 of the Debts.

### 7.3 Directors Recommendation

The Directors unanimously recommend Shareholders vote in favour of Resolution 15.

## 8. RESOLUTION 16 – CONSOLIDATION

### 8.1 General

Resolution 16 seeks Shareholder approval for the Company to consolidate its issued Share capital through the conversion of every four hundred (400) Shares into one (1) Share (**Share Consolidation**). Resolution 16 is inter-conditional on Resolutions 1, 2, 3 and 4 being passed.

### 8.2 Regulatory requirements

Pursuant to section 254H(1) of the Corporations Act, the Company may convert all or any of its Shares into a larger or smaller number of Shares by ordinary resolution passed at a general meeting. The result of the Share Consolidation is that each member's security holding will be reduced to one four hundredth of its current level.

In compliance with the information requirements of Listing Rule 7.20, Shareholders are advised of the following information.

### 8.3 Purpose of proposed resolution

The Directors propose the Share Consolidation as it will result in a more appropriate and effective capital structure for the Company and a share price more appealing to a wider range of investors.

The Company currently has 851,199,739 Shares on issue, which for a company of its size, is a very large number and subjects Shareholders to several disadvantages, including:

(a) poor market perception;

(b) vulnerability to speculative day-trading and short selling, which generates Share price volatility; and

(c) discouraging quality, long term institutional investors, equity funds and lending institutions seeking stability and long term growth.

The Board believes these factors can be minimised by the Share Consolidation.

### 8.4 Effect of the Share Consolidation

If this Resolution is approved, every four hundred (400) Shares on issue will be consolidated into one (1) Share (subject to rounding). Overall, this will result in the number of Shares on issue as at the date of this Notice reducing from 851,199,739 to approximately 2,128,000 (subject to rounding). Shares issued prior to the Share Consolidation pursuant to the resolutions contained in this Notice would also be consolidated in the same ratio.

As the Share Consolidation applies equally to all Shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares (subject to rounding). Accordingly, assuming no other market movements or impacts occur, the Share Consolidation will have no effect on the percentage interest in the Company of each Shareholder.

The Share Consolidation will not result in any change to the substantive rights and obligations of existing Shareholders.

If the Share Consolidation is approved, all options issued by the Company (including any Options issued prior to the Share Consolidation pursuant to the resolutions contained in this Notice) will be consolidated in the same ratio as the Shares, and their exercise price will be amended in inverse proportion to that ratio.

### 8.5 Fractional entitlements

Where the Share Consolidation results in an entitlement to a fraction of a Share, that fraction will be rounded up to the nearest whole number of Shares. Each member's proportional interest in the Company's issued capital will, however, remain unchanged as a result of the Share Consolidation (other than minor variations resulting from rounding).

### 8.6 Holding statements

Taking effect from the date of the Share Consolidation, all existing holding statements will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post Share Consolidation basis. New holding statements will be issued to security holders, who are encouraged to check their holdings after the Share Consolidation.

### 8.7 Taxation

The Share Consolidation should not result in a capital gains tax event for Australian tax residents. The cost base of the Shares held after the Share Consolidation will be the sum of the cost bases of the original Shares pre-Share Consolidation. The acquisition date of Shares held after the Share Consolidation will be the same as the date on which the original Shares were acquired.

This Explanatory Statement does not however consider the tax implications in respect of Shares or other securities held on revenue account, as trading stock or by non-resident Shareholders. Shareholders should consider their own circumstances and seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers or employees assumes any liability or responsibility for advising Shareholders or other security holders about the tax consequences of the proposed Share Consolidation.

### 8.8 Indicative timetable

| Event | Date |
|---|---|
| General Meeting | 26 February 2016 |
| Notification to ASX that Share Consolidation is approved | 26 February 2016 |
| Last day for trading in pre-consolidated securities | 29 February 2016 |
| Trading in the consolidated securities on a deferred settlement basis commences | 1 March 2016 |
| Last day to register transfers on a pre-consolidation basis | 3 March 2016 |
| Registration of securities on a post-consolidation basis | 4 March 2016 |
| Despatch of new holding statements<br>Deferred settlement trading ends | 10 March 2016 |

| | |
|---|---|
| Normal trading starts | 11 March 2016 |

### 8.9 Board recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 16.

## 9. ENQUIRIES

Shareholders are requested to contact the Company Secretary, Ms Shannon Coates, on +61 8 9322 4328 if they have any queries in respect of the matters set out in these documents.

## GLOSSARY

**$** means Australian dollars.

**ASIC** means Australian Securities and Investments Commission.

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

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

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

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

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

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependent of the member or the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;

(e) a company the member controls; or

(f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Metallum Limited (ACN 149 230 811).

**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.

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

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

**Merchant Corporate** means Merchant Corporate Finance Pty Ltd (ACN 107 974 247).

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

**Options** means an option to acquire a Share on the terms and conditions set out in Schedule 2.

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

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

**Rio Verde Holdings** means Rio Verde Holdings Pty Ltd.

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

**Shareholder** means a holder of a Share.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**VWAP** means volume weighted average price.

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

## SCHEDULE 1 – INDEPENDENT EXPERTS REPORT

Stantons International Securities

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12 January 2016

The Directors
Metallum Limited
Suite 5
62 Ord Street
WEST PERTH WA 6005

Dear Sirs

**RE: METALLUM LIMITED ("METALLUM" OR "THE COMPANY") (ABN 73 149 230 811) ON THE PROPOSAL THAT SHAREHOLDERS APPROVE THE DISPOSAL OF 100% OF A WHOLLY OWNED SUBSIDIARY, ATACAMA HOLDINGS PTY LTD ("AH CO" OR "THE SUBSIDIARY") TO RIO VERDE HOLDINGS PTY LTD ("RIO VERDE') - MEETING OF SHAREHOLDERS PURSUANT TO AUSTRALIAN STOCK EXCHANGE ("ASX") LISTING RULE 10.1**

## 1. Introduction

1.1 We have been requested by the Independent, Non-Associated Directors of Metallum to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposal as outlined in Resolution 2 to the Notice of Meeting ("Notice") and the Explanatory Statement ("ES") attached to the Notice relating to the proposal to sell to a company, Rio Verde, the wholly owned subsidiary (or child entity) of Metallum called Ah Co (called Atacama Holdings in the ES).

1.2 The Company holds 100% of the issued capital of Ah Co who in turn owns 100% of the issued capital of three Chilean incorporated subsidiaries that own mineral projects in Chile, including the recently mothballed copper project called El Roble (in the San Sebastian area of Chile). Refer section 3.1 for further details on Ah Co and the Chilean mineral projects and the independent valuation report ("AMA Valuation Report") on the Chilean mineral projects by Al Maynard & Associates ("AMA") dated 2 November 2015 and attached as Appendix B to this report.

Rio Verde is a recently incorporated (30 November 2015) company controlled by Winton Willesee (current chairman of Metallum), Zeffron Reeves and Colin (Cobb) Johnstone (former directors of Metallum, both having resigned on 15 October 2015).

1.3 It is proposed that Metallum will sell its 100% interest in Ah Co to Rio Verde for the total consideration of $1 ("Consideration"). Rio Verde will take over Ah Co and be responsible for the debts of Ah Co (and its Chilean subsidiaries) that approximate $394,000 as at 7 December 2015.

The sale of the shares in Ah Co to Rio Verde is conditional on there being no superior bids received for the Chilean assets from other parties and is conditional on shareholder approval. To ensure the process is appropriate, the Company has appointed Francisco Valera of Barros, Silva, Varela and Vigil, solicitors in Chile as the independent arbiter to determine the best bid should there be any alternative bids received.

Rio Verde has agreed to finance Ah Co from 5 October 2015 to the date of settlement of the sale of the shares in Ah Co by Metallum to Rio Verde. An initial $158,000 has been advanced as procured by Rio Verde to Ah Co (in October 2015) and all loans outstanding will be secured over the shares in Ah Co. Interest of 12% is payable only from the repayment date, which is the date on which Rio Verde is no longer the purchaser (i.e. shareholders reject the proposal or a better offer is accepted).

On settlement (of the sale of Ah Co shares to Rio Verde), all intercompany loans between Metallum and Ah Co will be written off (by Metallum).

1.4 The proposed sale of Ah Co to Rio Verde is known, for the purpose of this report, as the Sale Transaction.

1.5 Listing Rule 10.1 of the ASX Listing Rules provides that shareholder approval is required before a listed company may sell a substantial asset from various persons in a position of influence. This includes acquiring a substantial asset from a related party or a substantial shareholder. Rio Verde is proposing to acquire the shares in Ah Co from Metallum for the Consideration as noted in paragraph 1.3 above. Where a sale of a substantial asset takes place, the Listing Rules requires an Independent Expert's Report to report as to whether the relevant transactions are fair and reasonable to non-associated shareholders.

1.6 The proposal under Resolution 2 for Metallum to sell all of the shares in Ah Co for $1 to Rio Verde does not represent a sale of a substantial asset as the sale of the shares in Ah Co represents less than 5% of the Company's last audited net assets. As noted above Rio Verde is controlled by Winton Willesee (current chairman of Metallum), Zeffron Reeves and Colin (Cobb) Johnstone (former directors of Metallum, both having resigned on 15 October 2015). In Addition, Colin and Jennifer Johnstone (via Equitas Nominees Pty Ltd) have a relevant interest in approximately 5.48% of the shares in Metallum and are thus deemed substantial shareholders in Metallum (refer paragraph 2.1 below). The Metallum Directors, notwithstanding that the sale of the shares in Ah Co is not a sale of a substantial asset has decided on prudence and good corporate governance to seek shareholder approval for the Sale Transaction.

1.7 To assist shareholders in making a decision on the Sale Transaction, the independent, non-associated directors have requested that Stantons International Securities Pty Ltd prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the Sale Transaction as noted in Resolution 2 is fair and reasonable to the non-associated Metallum shareholders.

1.8 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals between Metallum Ah Co and Rio Verde
- Corporate history and nature of business
- Future direction of Metallum
- Value of consideration as to the Sale Transaction
- Consideration as to fairness and reasonableness of the Sale Transaction
- Conclusion as to fairness and reasonableness of the Sale Transaction
- Sources of information
- Appendix A and Financial Services Guide

1.9 In determining the fairness and reasonableness of the Sale Transaction pursuant to Resolution 2, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair.

An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer.

Accordingly, our report in relation to Resolution 2 comprising the approval to dispose of Ah Co to Rio Verde is concerned with the fairness and reasonableness of the proposal with respect to the existing non-associated shareholders of Metallum. This report is limited only to Resolution 2, and we do not report or opine on the other Resolutions (Resolutions 1 and 3 to 16) being put to the shareholders as part of the Notice.

1.10 Resolution 1 in the Notice also refers to the approval for the Company to sell its main business undertaking whilst Resolution 2 seeks specific approval to sell the Company's main undertaking to a related party (as noted above). It is noted that approval is to be obtained to issue new shares and share options on conversion of a convertible note (Resolution 3); issue new shares and share options via a capital raising (Resolution 4) and seek shareholder approval to undertake a 1 for 400 consolidation of capital (Resolution 16). In addition shareholders are being asked to approve the issue of shares and share options to Winton Willesee as a sub-underwriter (Resolution 5), seek approval to issue shares and share options to directors and former directors of the Company as part of the capital raising (Resolutions 6, 7, 8 and 9), seek approval to issue shares and share options to Winton Willesee, Zeffron Reeves and Colin Johnstone in lieu of directors fees (Resolutions 10,11, 12, 13 and 14), issue shares and share options to creditors of the Company (Resolutions 15). Refer section 2 below for further details.

1.11 **In our opinion, taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 8 of this report, the proposal as outlined in paragraph 1.3 and Resolution 2 may on balance collectively be considered to be fair and reasonable to those shareholders not associated with Rio Verde (and its deemed Associates) at the date of this report.**

1.12 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this Report, including the independent valuation report (the Maynard Valuation Report") on the Chilean Mineral Assets owned by the subsidiaries of Ah Co prepared by Al Maynard & Associates ("Maynard") and included as Appendix B to this report.

## 2. Implications of the Proposal with Rio Verde

2.1 As at 12 January 2016, there are 851,199,739 ordinary fully paid shares on issue in Metallum. The significant registered fully paid shareholders as at 9 November 2015, based on the top 20 shareholders list were disclosed as follows:

| | No. of fully paid shares | % of issued fully paid shares |
|---|---|---|
| Equitas Nominees Pty Ltd | 41,666,667 | 4.90 |
| Jetosea Pty Ltd | 33,333,333 | 3.92 |
| Bupresitid Pty Ltd | 24,243,226 | 2.85 |
| Ms Simida Cost | 23,900,000 | 2.81 |
| | 123,143,226 | 14.48 |

The top 20 shareholders at 9 November 2015 owned approximately 32.17% of the ordinary issued capital of the Company.

Equitas Nominees Pty Ltd ("Equitas") holds 41,666,667 shares in Metallum on behalf of Lazy 7 Pty Ltd as trustee for the Lazy 7 Family Trust. Colin Johnstone is a beneficiary of the trust. In addition, Equitas indirectly owns 4,966,774 shares on behalf of Colin and Jennifer Johnstone as joint trustees of the CobbandCo Family Superannuation Account. Colin Johnstone is a beneficiary of the fund. Between the trust and the fund, Colin Johnstone has a relevant interest in 18,388,889 share options.

Zeffron Reeves via interests in a trust has a relevant interest in 2,340,975 shares in Metallum and via a trust and company has a relevant interest in 17,700,000 share options in Metallum.

Winton Willesee via an interest in a superannuation fund has a relevant interest in 4,000,000 shares in Metallum and via a family trust has a relevant interest in 5,120,000 share options.

2.2 As at 12 January 2016, the following pre-consolidated share options are outstanding:

- 14,000,000 share options exercisable at 5 cents each, on or before 30 June 2016;
- 8,000,000 share options exercisable at 3.4 cents each, on or before 17 October 2016;
- 10,000,000 share options exercisable at 3.7 cents each, on or before 19 October 2017;
- 1,000,000 share options exercisable at 5.0 cents each, on or before 30 November 2017;
- 2,000,000 share options exercisable at 5.0 cents each, on or before 30 June 2016;
- 13,800,000 share options exercisable at 1.86 cents each, on or before 17 November 2017;
- 3,000,000 share options exercisable at 1.9 cents each, on or before 9 March 2019;
- 15,000,000 share options exercisable at 1.5 cents each, on or before 15 July 2017;
- 88,888,889 share options exercisable at 1.5 cents each, on or before 30 June 2017; and
- 8,700,000 share options exercisable at 0.73 cents each, on or before 16 July 2018.

2.3 If the Sale Transaction is completed by selling the 100% interest in Ah Co, Metallum's share structure would not change, however it would divest itself of Ah Co and its Chilean subsidiaries for proceeds of $1. However, Ah Co and its Chilean subsidiaries have external liabilities (excluding loans from Rio Verde as noted above) of approximately $394,000 and thus Metallum will be relieved of meeting the repayment of such liabilities and future liabilities of Ah Co and the Chilean subsidiaries.

2.4 The current Board of Directors is not expected to change in the near future following the passing of Resolutions 1 to 16 at the proposed shareholders meeting. New directors may be appointed in the future as and when the need arises. The existing directors of Metallum are Winton Willesee, Shannon Coates and Erlyn Dale.

2.5 Merchant Corporate Finance Pty Ltd ("Merchant"), the corporate advisor to Metallum has been appointed to assist the Company in re-capitalising the Company via a capital raising to raise up to approximately $2,000,000 to meet its existing creditor obligations, advance the Teutonic Project in Western Australia, review the best options for its Comval assets in the Philippines and seek other opportunities to create value for shareholders and for working capital.

The capital raising will be undertaken via the issue of up to 40,000,000,000 new Metallum shares at an issue price of 0.005 cents each to raise up to $2,000,000 (Resolution 4 refers). Shareholders will be given priority to subscribe to the capital raising ("Capital Raising"). In addition, for every share issued, each investor will receive one share option to acquire an additional share at an exercise price of 0.006 cents each, with an expiry date of 31 July 2016. Merchant plans to underwrite the Capital Raising and would receive an underwriting fee of 5% of the funds raised and receive a management fee of 1% of funds raised. Winton Willesee proposes to sub-underwrite 2,000,000,000 shares (and 2,000,000,000 share options) under the Capital Raising and Resolution 5 refers. Resolutions 6 to 9 allow Winton Willesee, Shannon Coates, Zeffron Reeves and Colin Johnstone respectively to participate in the Capital Raising. Resolutions 10 to 14 allow the issue of shares and share options to be issued to Winton Willesee (1,702,949,000 shares and 1,702,949,000 share options), Erlyn Dale (400,000,000 shares and 400,000,000 share options), Shannon Coates (400,000,000 shares and 400,000,000 share options), Zeffron Reeves (865,920,000 shares and 865,920,000 share options) and Colin Johnstone (556,226,000 shares and 556,226,000 share options) respectively to settle outstanding fees and/or interest owing to them for the period to 31 October 2015 (or 15 October 2015 in the case of Colin Johnstone) and for agreed future fees for a 6 month fixed term to 30 April 2016 for Mr Willesee, Ms Dale and Ms Coates. The fees outstanding are estimated to total approximately $106,2545, with a further $90,000 in total payable to Mr Willesee, Ms Dale and Ms Coates for the 6 month period to 30 April 2016 (Section 6.2 of the ES refers). In addition, up to 8,000,000,000 shares and up to 8,000,000,000 share options will be issued to certain unrelated creditors of the Company to settle outstanding liabilities to the extent of $400,000.

Following completion of the Capital Raising, Metallum proposes to proceed with a consolidation of capital on a 1 for 400 basis (Resolution 16 refers). All of the share numbers noted above in paragraph 2.5 are on a pre-consolidated basis.

To provide working capital in the interim, the Company has entered into a convertible loan agreement for up to $400,000 from nominees of Merchant. Refer paragraph 3.1 below on the $400,000. The loan(s) is secured against Metallum and its assets (including its Chilean assets) and, subject to shareholder approval (Resolution 3 refers), convertible to Metallum shares at the earlier of 31 March 2016 and the date of the shareholders meeting to seek approval for the Company's above mentioned recapitalisation activities, including disposal of the Chilean assets (via the Sale Transaction) and the Capital Raising . The conversion price of the convertible loan will be equal to the issue price under the Capital Raising . An interest rate of 20% will be applied to any loan funds that can be drawn down which will be paid in shares in Metallum on the same terms subject to shareholder approval. Merchant will charge a fee of 6% of the total funds available to be drawn down.

If the maximum number of Capital Raising shares are issued (40,000,000,000 - pre consolidated), the maximum loan of $400,000 is drawn down and interest over three months is $12,000 and the loan and interest is converted to shares in Metallum at 0.005 cents each (8,240,000,000 pre-consolidated shares issued), 3,925,095,000 pre-consolidated shares (and a similar amount of share options are issued to eliminate director fees and/or interest) and 8,000,000,000 shares and share options are issued to settle $400,000 of creditors liabilities and the 1 for 400 consolidation of capital takes place, the number of post consolidated shares that would be on issue may be approximately 152,540,737 (assumes no existing share options exercised).

If 100,000,000 share options (post-consolidated) (40,000,000,000 pre-consolidated) were issued and exercised, 20,600,000 share options (post-consolidated) (8,240,000,000 pre-consolidated) were issued on conversion of the loan and interest and exercised, and 29,812,737 share options (11,925,095,000 pre-consolidated) were issued and exercised (by certain directors and former director and certain creditors), there would be approximately 150,412,737 additional post consolidated shares on issue.

## 3. Corporate History and Nature of Business

3.1 Metallum is a listed company on the ASX. Its significant assets and liabilities as at 31 December 2015 are:

- The Teutonic Base Metal and Gold Project near Leonora in Western Australia- Metallum has an option to acquire a 70% interest in the Teutonic Project (drilling programme commenced in mid November 2015);
- The Comval Copper and Gold Project in the Philippines (an 80% interest) but is on care and maintenance;
- Chilean Mineral Assets held via three Chilean subsidiaries of Ah Co.
    - El Roble Copper Project -66 hectares of granted concessions and applications. Mining commenced in August 2014 on various areas making up the El Roble Project and associated areas. The mines were San Sebastian (100% owned by Ah Co subsidiary and mining commenced late 2014), Viuda mine (100% owned by Ah Co subsidiary and development commenced in the March 2015 quarter), Panga mine (mining rights leased by Ah Co subsidiary - commenced August 2014 but ceased mining in December 2014); and the Paraguay mine (mining rights leased by Ah Co subsidiary and work crew mobilised but in July 2015, the workforce was transferred to San Sebastian). Some of the mines were leased from unrelated parties and are not owned by the Chilean subsidiaries.

Mining ceased in Chile due to depressed copper prices and the medium term outlook. The Board decided that re-starting operations in Chile would not be economically beneficial to the Company in either the short or medium term.

The Board has decided to seek to recapitalise as noted above, sell its Chilean interests (via the sale of the shares in Ah Co), advance the Teutonic Project, evaluate options on dealing with the Comval Project and seek other opportunities to create value for shareholders.

- The Metallum Group as at 30 June 2015 only had current assets totalling $214,393, non- current assets totalling $166,020 ($158,923 relating to Comval), trade creditors and employee liabilities of $607,490 and borrowings of $459,263 for a net deficiency of $(686,340) i.e. book liabilities exceeded book assets. Subsequent to 30 June 2015, the loans were either acquitted by the issue of shares and share options in Metallum (to the extent of $250,000) or repaid in cash ($209,263- US$160,850). As at early December 2015, the estimated trade and other creditors of Metallum and other subsidiaries of

Metallum (excluding the creditors of Ah Co and its Chilean subsidiaries) total approximately $826,000.

Metallum has entered into an agreement with Merchant (to act as trustee) for Metallum to borrow up to $400,000 under a facility to be entered into with various lenders. Interest is chargeable on the Facility at 20% per annum and the final due for repayment date ("End date") is 31 March 2016 (in the absence of an agreement to extend this date). The Facility Loans are to be settled by the issue of shares and share options in Metallum as noted below and in Resolution 3 to the Notice.

3.2 Further details are in announcements made by Metallum to the ASX to 11 January 2016 and shareholders are encouraged to read recent reports on the various projects before determining whether to vote for or against Resolution 2 (and other resolutions) in the Notice.

## 4. Future Directions of Metallum

4.1 We have been advised by the directors and Metallum that:

- The composition of the Board is not expected to change in the short term as a result of the proposed Sale Transaction. The proposed divestment of Ah Co and the Chilean Mineral Assets will allow the board to concentrate on finding new projects for the Company and advance the Teutonic Project;
- The Company has no further plans at the date of this report to enter into transactions with Rio Verde or the directors noted as being involved with Rio Verde in the short to medium term (other than the Sale Transaction);
- No Dividend policy has been set;
- The Company is to seek new capital by way of share and loan issues as described in paragraph 2.5 above.

## 5. Value of Consideration received from the Sale

5.1 The Company is to receive $1 upon the consummation of the Sale Transaction but will be relieved from finding funds to repay external liabilities of Ah Co and its Chilean subsidiaries that are estimated at $394,000 (and a further $158,500 is owed to Rio Verde). Rio Verde from 5 October 2015 is procuring funding Ah Co and the Chilean subsidiaries as noted in paragraph 1.3 above and in the ES attached to the Notice.

## 6. Basis of Valuation of Ah Co (and in effect the Chilean Mineral Assets)

6.1 Shares

6.1.1 In considering the proposals to allow the sale of Ah Co (effectively the Chilean Mineral Assets) to Rio Verde, we have sought to determine if the consideration payable by Rio Verde is fair and reasonable to the existing non-associated shareholders of Metallum.

6.1.2 The proposals to allow the sale of Ah Co to Rio Verde would be fair to the existing non associated shareholders if the value of the consideration being offered by Rio Verde is greater than or equal to the value of the shares in Ah Co (that is effectively the value of the Chilean Mineral Assets). Accordingly, we have sought to determine a theoretical value that could reasonably be placed on an AH Co share for the purposes of this report.

6.1.3 The valuation methodologies we have considered in determining the current technical value of an Ah Co share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market value price of Ah Co shares.

6.2 Discounted Cash Flows / Capitalised Maintainable Earnings

The discounted cash flow analysis ("DCF") has a strong theoretical basis, valuing a project/business on the net present value of its future cash flows. It requires an assessment of an appropriate discount rate, an analysis of the future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period. This method of valuation is particularly appropriate for businesses of a start up nature where there is little historical basis for normalising the earnings of the business, or where it is anticipated that a business will have a finite life. Ah Co is not of start up nature, and it is open to conjecture as to the life of the Chilean Mineral Assets (mining has ceased as the mines are currently uneconomic). Accordingly the DCF method is not the most appropriate for the valuation of Ah Co currently does not have a reliable profit history from a business undertaking and therefore this methodology is not appropriate method to value Ah Co.

Maintainable earnings in valuing a business (as distinct from a company as a whole) are usually considered as either the earnings before interest, tax and depreciation ("EBITDA") that could be maintained in the future and is normally taken as an average of the past three to five years EBITDA's or is based on earnings (after interest and depreciation) after tax. The maintainable earnings methodology is used where there a company usually has a track record of profits. Ah Co and the Chilean subsidiaries have a history of losses, and may have experienced liquidity problems, which all point to the fact that capitalised maintainable earnings is not an applicable method to value Ah Co.

6.3 Takeover Bid

We have been advised by the directors of Metallum that there are no previous formal bids for the Company or its subsidiaries. The directors do not believe that there would be any person with an interest in taking over the Company by way of a formal takeover bid at the current time. To our knowledge, there are no current formal bids in the market place and the directors of Metallum and ourselves have formed the view that there is unlikely to be any takeover bids made for Metallum or Ah Co in the immediate future. We have no reason to consider that the Metallum directors' views are not currently accurate. It is noted that the Chilean Mineral Assets (or shares in Ah Co or the individual Chilean subsidiaries) are available for sale and the only offer to date is the $1 offer by Rio Verde. It is also noted that if a more superior offer is made before settlement of the Rio Verde offer (subject to shareholder approval), then the superior offer would be accepted and the Rio Verde settlement would not proceed.

6.4 Share Price

The shares in Ah Co are not listed and thus there is no reliable "market based" price to ascribe to an Ah Co share.

6.5 Net Asset Backing and Wind-Up Value

6.5.1 The consolidated accounts of Ah Co as at 30 September 2015 disclose the following:

| | |
|---|---|
| **Current Assets (after impairments)** | 14,898 |
| **Non-Current Assets (after impairments)** | 4,595 |
| **Total Assets** | **19,493** |
| **Liabilities** | |
| Trade creditors and accruals | (508,881) |
| Owing to Metallum | (5,702,575) |
| **Total liabilities** | **(6,211,456)** |
| **Net (Liabilities)** | **$(6,191,963)** |

However, as at early December 2015, the trade creditors and accruals of the Ah Co Group approximate $394,000. Current assets in early December 2015 are virtually $nil and in early January 2016, Ah Co owes Rio Verde $158,000 in funding procured by Rio Verde. The amount owing to Metallum approximates $5,704,075 so net liabilities approximate $(6,178,980). The loan due to Metallum will be forgiven by Metallum on settlement of the Sale Transaction. Refer 6.5.4 for final valuation of the Ah Co Group.

In effect the sale of Ah Co is the sale of the Chilean Mineral Assets and thus it is necessary to ascribe a value to the Chilean assets (represented by capitalised costs that on consolidation with Metallum have been expensed to nil).

Metallum, for the purposes of negotiations with Rio Verde commissioned Maynard to prepare a valuation report of the Chilean Mineral Assets. The Maynard Valuation Report should be read in its entirety and a full copy of the Maynard Valuation Report is attached as Appendix B to this report. The Maynard Valuation Report ascribes a range of values to the Chilean Mineral Assets and for the purposes of our report we have used the low, high and preferred range valuations referred to in the Maynard Valuation Report.

6.5.2 We have used and relied on the Maynard Valuation Report on the Chilean Mineral Assets and have satisfied ourselves that:

- Maynard is a suitably qualified geological consulting firm and has relevant experience in assessing the merits of gold and base metal projects and preparing mineral asset valuations (also the authors of the report, Brian Varndell and Al Maynard are suitably qualified and experienced);
- Maynard is sufficiently independent from Metallum and Rio Verde; and
- Maynard has employed sound and recognised methodologies in the preparation of the valuation report on the Chilean Mineral Assets.

6.5.3 Maynard has provided a range of market values of the interests in the Chilean Mineral Assets as follows:

| | **Low** | **Preferred** | **High** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Chilean Mineral Assets | 174,000 | 371,000 | 674,000 |

Thus, if we substituted the above range of values to the unaudited net liabilities as noted above, the fair value of Ah Co (consolidated) may range between a negative $(6,009,575) and $(5,509,575) with a preferred negative value of $(5,812,575). However, as the inter-company debt (amounts due to Metallum) will be forgiven by Metallum and it is assumed that on completion of the Sale Transaction, the Ah Co Group would have no current assets and only $394,000 of liabilities, the net position would be disclosed in the range of a

negative $220,000 (low), a high of $280,000 (positive) and a preferred valuation of a negative $23,000.

6.5.4 Thus, in our opinion, the preferred fair value of a share in Ah Co is $nil. (before and after the Sale Transaction).

**7 Conclusion as to Fairness on the proposal relating to the Sale Transaction**

7.1 The proposal to sell AH Co to Rio Verde for the $1 Consideration noted is believed fair to Metallum's non-associated shareholders if the value of the consideration offered is equal to or greater than the value of the shares in Ah Co being sold to Rio Verde. Due to the nature of the business of Ah Co, valuations are dependent upon the value placed on the Chilean Mineral Assets of Ah Co and its subsidiaries. The valuation of mineral interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.

.

7.2 Given the Consideration receivable of $1 for the shares in Ah Co is greater than the assessed negative value of Ah Co (as noted above), the Sale Transaction can be considered to be fair to the non-associated shareholders of Metallum.

7.3 **Based on the reasons outlined in 7.2 above, the proposed sale of all of the shares in Ah Co to Rio Verde for $1 as outlined in Resolution 2 to the Notice is considered on balance to be fair to the non associated shareholders of Metallum.**

**As noted above, if a more superior offer is made for Ah Co or the Chilean Mineral Assets, then the Rio Verde offer of $1 will be withdrawn and the most superior offer will be accepted**.

**8. Reasonableness of the proposals in relation to Resolution 2 being the proposed sale of the shares in Ah Co to Rio Verde for $1.**

8.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed sale of the shares in Ah Co to Rio Verde.

Advantages

8.2 Rio Verde will assume all liabilities of Ah Co, other than the loan of $158,000 (and may increase) procured by Rio Verde to Ah Co to meet working capital requirements ("Loan"), on and from the date of Settlement. At the election of Rio Verde, the Loan can be secured against the assets of Ah Co. Upon Settlement, the Loan will be written off and extinguished in its entirety. In the event a superior proposal is accepted by the Company or shareholder approval is not received pursuant to Resolution 2 (and 1), the Loan shall be immediately repayable and guaranteed by the Company should Ah Co not make the repayment.

8.3 The Company is in a poor financial situation and does not have sufficient funds to commit to the Chilean Mineral Assets. There are annual rental commitments that approximate $1,000 as well as external current liabilities (early December 2015) in the Ah Co Group that approximate $394,000. The Ah Co Group also owes approximately $5,705,000 to Metallum and $158,000 to Rio Verde as at early January 2016. As noted above, Metallum cannot meet the existing liabilities and future commitments relating to Ah Co and its Chilean subsidiaries. Rio Verde in effect by acquiring all of the shares in Ah Co has agreed to fund Ah Co so that the Ah Co Group can repay trade creditors and meet planned commitments in 2016. This is a significant saving in future cash outlay for Metallum and Metallum wishes to concentrate on advancing the Teutonic Project in Western Australia and seek new opportunities to create shareholder value.

8.4 In the current market it is time consuming and extremely difficult for companies such as Metallum to raise capital equity, and if raised, significant discounts to recent traded share prices may need to be offered. It is not uncommon to offer discounts in the current market of between 20% and 50%. We have been advised that support for a capital raising as that noted above will be forthcoming on the basis of the divesture of the Chilean Mineral Assets. By allowing the Company to divest itself of Ah Co, the Company can proceed with the Capital Raising (the Share Priority Offer) to raise up to a gross $2,000,000. The receipt of a gross up to $2,000,000 will be used to repay capital raising costs, pay certain creditors, undertake drilling and follow up work at the Teutonic Project and provide general working capital. Section 3.2 of the ES refers to plans on how the gross $2,000,000 may be spent.

8.5 The sale of the shares in Ah Co as noted above is considered to be fair.

Disadvantages

8.6 The Company would lose any future direct benefit of an increase in the market value of Ah Co being sold, due to positive performance/results or increased market sentiment or otherwise. However at this point of time due to depressed copper prices, the mining of copper on the Chilean Mineral properties is not economic and unlikely to be economic in the short/medium term.

8.7 Should the sale of Ah Co proceed, there is no guarantee that the Directors of Metallum will be able to source a new project for Metallum or significantly recapitalise the existing Company (although Merchant agrees to assist in refinancing Metallum but on the condition that the Chilean Mineral Assets are vested). In the absence of a recapitalisation, there is the possibility that the Company may be placed into administration.

Other Factors

8.8 The carrying value of the Chilean Mineral Assets in the consolidated accounts of Metallum as at 30 June 2015 is $nil. The Company has fully written off all Chilean exploration and development costs and the Company itself has fully provided for the share and loan investments on Ah Co.

8.9 The Metallum Group will lose Chilean tax losses (unquantified) as a result of the Sale Transaction. However, utilisation of such Chilean tax losses is dependent on the ability of the Chilean subsidiaries to earn profits (and currently, all mines are on care and maintenance as they are sub-economic), the likely hood of utilisation of the tax losses in the short/medium term is remote (with the possibility that the tax losses may never be utilised). It is our opinion that the tax benefit has currently a minimal or nil value.

## 9. Conclusion as to Reasonableness

9.1 **In our opinion, in the absence of a superior proposal and after taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 8 of this report, the proposal as outlined in paragraph 1.3 and Resolution 2 may on balance collectively be considered to be reasonable to those shareholders not associated with Rio Verde (and their Associates at the date of this report).**

**As noted above, if a more superior offer is made for Ah Co or the Chilean Mineral Assets, then the Rio Verde offer of $1 will be withdrawn and the most superior offer will be accepted**.

## 10. Shareholder Decision

10.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the proposals as outlines in Resolution 2 and as more fully described in the ES are fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolution 2 (and all other Resolutions). The responsibility for such a voting recommendation lies with the independent directors of Metallum.

10.2 In any event, the decision whether to accept or reject Resolution 2 (and all other Resolutions) is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the proposal under Resolution 2 (and all other Resolutions) shareholders should consult their own professional adviser.

10.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Metallum. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposal under Resolution 2 (and all other Resolutions). Shareholders should consult their own professional adviser in this regard.

## 11. Sources of Information

11.1 In making our assessment as to whether the proposal to effect the sale of all of the shares in Ah Co to Rio Verde at an price of $1 (as outlined in paragraph 1.3) is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company and its asset that is relevant to the current circumstances. In addition, we have held discussions with the management/directors of Metallum about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors of Metallum.

11.2 Information we have received includes, but is not limited to:

- Draft Notices and Explanatory Statement to Shareholders of Metallum prepared to 11 January 2016;
- Discussions with a director of Metallum;
- Details of historical market trading of Metallum ordinary fully paid shares recorded by ASX to 11 January 2016;
- Shareholding details of Metallum as at 9 November 2015;
- Announcements made by Metallum from 1 June 2014 to 11 January 2016;
- The cash flow forecasts of the Metallum Group for 2015/16;
- Reviewed financial accounts of Metallum for the half year ended 31 December 2014;
- Audited financial accounts of Metallum Group for the year ended 30 June 2015;
- Consolidated work papers of the Metallum Group to 30 June 2015 and 30 September 2015;
- Estimated external creditors of the Ah Co Group as at 30 September 2015 and 7 December 2015;
- The Maynard Valuation Report on the Chilean Mineral Assets of 2 November 2015 and discussions with Al Maynard;
- .Estimated exploration outlays on the Chilean Mineral Assets for 2016;
- The Recapitalisation Deed with Merchant;

- The General Security Deed with Merchant;
- The Convertible Loan Deed with Merchant as Trustee; and
- 30 September 2015 external creditors of Metallum (excluding the trade creditors and accruals of Ah Co and its Chilean subsidiaries) and an estimate as at7 December 2015;

10.3 Our report includes Appendices A and B (the Maynard Valuation Report) and our Financial Services Guide attached to this report.

Yours faithfully
**STANTONS INTERNATIONAL SECURITIES PTY LTD**
**(Trading as Stantons International Securities)**

**John P Van Dieren - FCA**
**Director**

**APPENDIX A**

## AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 12 January 2016, relating to the proposed sale of all of the shares in Ah Co to Rio Verde as outlined in paragraph 1.3 of the report and Resolution 2 in the Notice of Meeting to Shareholders and the ES proposed to be distributed to the Metallum shareholders in January 2016.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with Metallum and with Rio Verde other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International Securities Pty Ltd considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at a maximum of $16,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities Pty Ltd nor John Van Dieren or Martin Michalik have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities Pty Ltd does not hold any securities in Metallum. There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd, John Van Dieren and Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

## QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (no 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Audit and Consulting Pty Ltd are the directors of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John Van Dieren FCA and Mr Martin Michalik (ACA), the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

## DECLARATION

This report has been prepared at the request of the Directors of Metallum in order to assist them to assess the merits of the proposed Sale Transaction as outlined in Resolution 2 to the ES to which this report relates. This report has been prepared for the benefit of Metallum's shareholders and does not provide a general expression of Stantons International Securities Pty Ltd opinion as to the longer term value of Metallum, its subsidiaries and their assets (including the Chilean Mineral Assets). Stantons International Securities Pty Ltd does not imply, and it should not be construed, that is has carried out any form of audit on the accounting or other records of the Metallum Group. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

## DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolution 2 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 2.

## DECLARATION AND INDEMNITY

Recognising that Stantons International Securities Pty Ltd may rely on information provided by Metallum and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd experience and qualifications), Metallum has agreed:

(a) To make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which Metallum may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by Metallum; and

(b) To indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from Metallum or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of Metallum or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to Metallum directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

# FINANCIAL SERVICES GUIDE
# FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
# (Trading as Stantons International Securities)
# Dated 12 January 2016

1. Stantons International Securities ABN 42 128 908 289 and Financial Services Licence 448697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

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

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

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.

4. **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.

## 5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, 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.

## 6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

## 7. 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.

## 8. Associations and relationships

SIS is ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

## 9. Complaints resolution

### 9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints 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.

### 9.2 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 Limited ("FOSL"). FOSL 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 FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

## 10. Contact details

You may contact us using the details set out above.

Telephone 08 9481 3188
Fax 08 9321 1204
Email jvdieren@stantons.com.au

**APPENDIX B**

**MAYNARD VALUATION REPORT ON THE CHILEAN MINERAL ASSETS**

# AL MAYNARD & ASSOCIATES Pty Ltd

***Consulting Geologists***

***www.geological.com.au*** ***ABN 75 120 492 435***

| | | |
|---|---|---|
| ***9/280 Hay Street,*** | ***Tel: (+618) 9388 1000*** | ***Mob: 04 0304 9449*** |
| ***SUBIACO, WA, 6008*** | ***Fax: (+618) 9388 1768*** | ***al@geological.com.au*** |
| ***Australia*** | | |

***Australian & International Exploration & Evaluation of Mineral Properties***


# INDEPENDENT TECHNICAL VALUATION

# OF THE

# EL ROBLE PROJECT IN CHILE

# FOR

# METALLUM LIMITED


Author: Brian J. Varndell, BSc(Spec.Hons.), FAusIMM.
Peer Review: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM
Company; Al Maynard & Associates Pty Ltd

Date: 2nd November, 2015

# EXECUTIVE SUMMARY

This Independent Technical Valuation Report of the Metallum Limited ("MNE") El Roble Project in Chile has been prepared by Al Maynard & Associates ("AM&A") at the request of Mr John P. Van Dieren, a Director of Stantons International Securities ("Stantons") for inclusion in their Independent Experts Report ("IER").This report provides an independent technical valuation of the MNE project in the Atacama III Region in Chile, as at 2nd November, 2015. The AM&A report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports (the "Valmin Code") (2005) as adopted by the Australian Institute of Geoscientists ("AIG") and the Australasian Institute of Mining and Metallurgy ("AusIMM").

MNE has interests in two tenements in Chile that cover a small portion of the well-mineralised +70 $km^2$ Algarrobo Mining District, 42 km NW of Copiapo, within a portion of the Coastal Mountain Chain in South America. The El Roble Project forms part of the Algarrobo Mining District and consists of two tenements, comprising a total of 50 ha located approximately 25 km east of the port city of Caldera, Chile.

Mining Exploration work at the project has identified mineralisation that warrants additional investigation however there are no JORC Code compliant resources at the project yet. The recent demise of the copper price has curtailed all activity at the project.

This valuation appraises the MNE Chile tenement portfolio that has demonstrated potential to host copper and minor gold mineralisation.

Given the relevance of the assumptions and factors underlying the development and conceptual prospectivity for resources of the project, AM&A has concluded that it is reasonable to rely on this data for the purposes of this report and the derivation of a current valuation accordingly based on that information. AM&A has relied on the technical data supplied by MNE and accepted that data in reaching our conclusions, unless AM&A expressly states otherwise.

The summary of the valuation conclusions is presented in Table 3. This current valuation has used a form of the Empirical or Yardstick Method applied to an Exploration Target that is relevant to the present day tenement holdings. Note that Exploration Targets are NOT to be misconstrued as any form of Mineral Resource or Reserve Estimates. They are conceptual in nature and future work may or may not outline any form of resource/reserve either in whole or in part.

This Report concludes that the cash value of the MNE El Roble Project, at 2nd November, 2015, is ascribed at $371,000 from within the range $174,000 to $674,000.

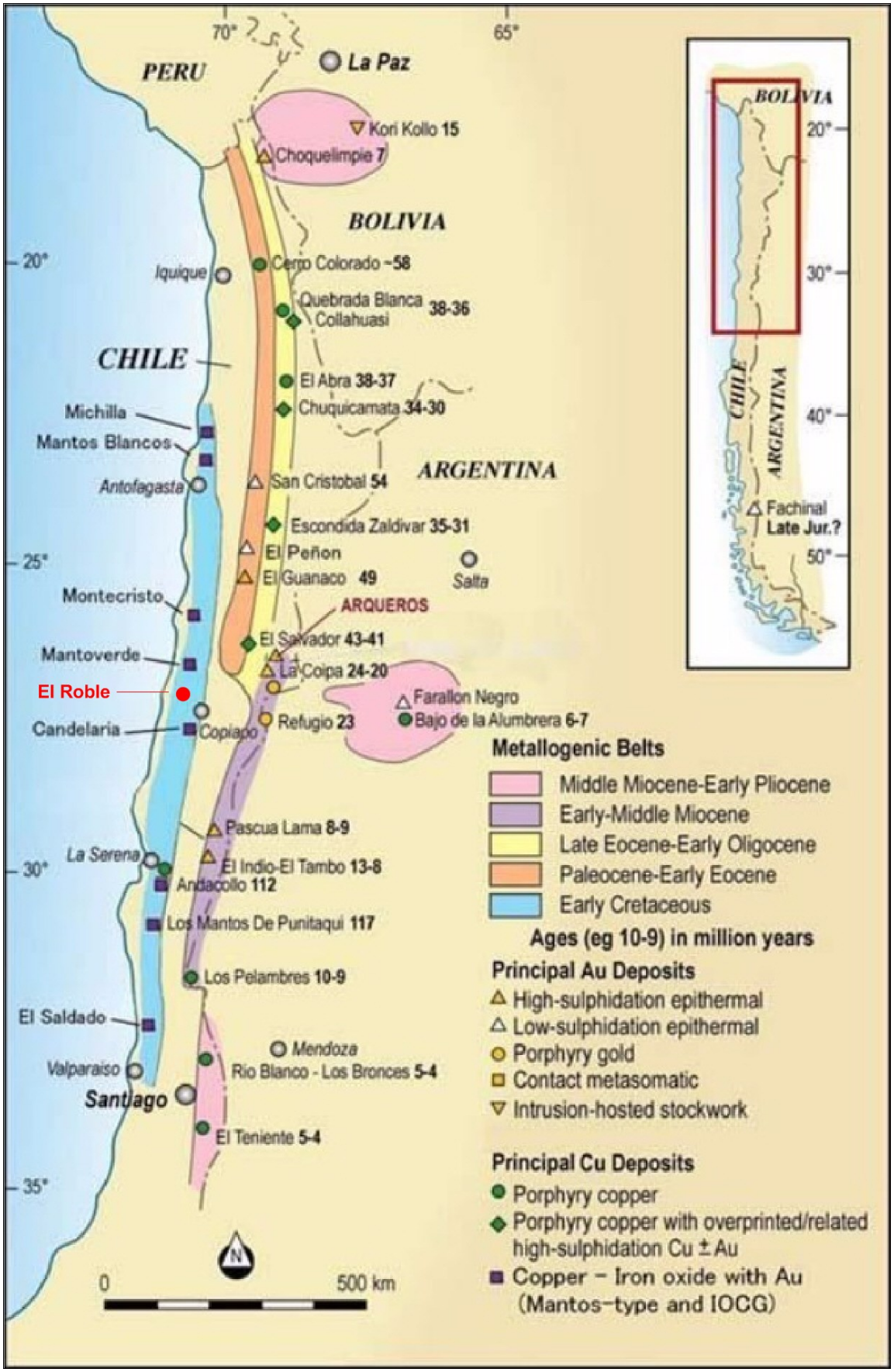


**Figure 1: El Roble Project 42 km NW of Copiapo - Location Map.**

# CONTENTS PAGE

## List of Figures



## List of Tables

The Directors
Stantons International Securities
Level 2, 1 Walker Avenue,
West Perth, WA, 6005

2nd November, 2015

Dear Sirs,

**VALUATION OF METALLUM LIMITED EL ROBLE PROJECT IN CHILE**

# 1.0 Introduction

This Independent Technical Valuation Report of the Metallum Limited ("MNE") El Roble Project in Chile has been prepared by Al Maynard & Associates ("AM&A") at the request of Mr John P. Van Dieren, a Director of Stantons International Securities ("Stantons") for inclusion in their Independent Experts Report ("IER").This report provides an independent technical valuation of the MNE El Roble Project in the Atacama Region in Chile, as at 2nd November, 2015. The report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports (the "Valmin Code") (2005) as adopted by the Australian Institute of Geoscientists ("AIG") and the Australasian Institute of Mining and Metallurgy ("AusIMM").

The assets valued in this report are the tenements in Chile as described below..

## 1.1 Scope and Limitations

This Report has been prepared in accordance with the requirements of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports (the "Valmin Code"- 2005) as adopted by the Australian Institute of Geoscientists ("AIG") and the Australasian Institute of Mining and Metallurgy ("AusIMM").

This Report is valid as of 2nd November, 2015 which is the date of the latest review of the data and technical information and there have been no material changes to this data or valuation since that date. The valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the mineral assets concerned or by other explorers on prospects in the near environs. The valuation could also possibly be affected by the consideration of other exploration data from adjacent licences with production history affecting the mineral assets which have not been made available to the writer.

In order to form an opinion as to the value of any mineral asset, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likelihood of exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers' technical training and 40 years' experience in the exploration and mining industry. Whilst the opinions expressed represent the writers' professional opinion at the time of this Report, these opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral asset.

The information presented in this Report is based on technical reports provided by MNE supplemented by our own inquiries as to the reasonableness of the supplied data. At the request of AM&A, copies of relevant technical reports and agreements were readily made available. There is also information available in the public domain and relevant references are listed in Section 6.0 –References. No site visit was undertaken since A. J. Maynard is familiar with the terrane from earlier visits to Chile.

MNE will be invoiced and expected to pay a fee, estimated to be between $8,000 to $12,000 for the preparation of this Report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report. Except for these fees, neither the writer nor any family members nor Associates have any interest, nor the rights to any interest in MNE nor

any interest in the mineral assets reported upon. MNE has confirmed in writing that all technical data known it was made available to the writer.

The valuation presented in this Report is restricted to a statement of the fair value of the mineral asset package. The Valmin Code defines fair value as "The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion".

It should be noted that in all cases, the fair valuation of the mineral assets presented is analogous with the concept of "valuation in use" commonly applied to other commercial valuations. This concept holds that the assets have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the "Range of Values" as shown in Table 3, section 5.3. Regarding the Project it is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of the relevant area to enable an understanding of the geology. This provides adequate information to form an informed opinion as to the current value of the mineral assets. A site visit was not undertaken since the authors are familiar with the project areas from many field trips over previous years for other clients.

### 1.2 Statement of Competence

This Report has been prepared by Allen J. Maynard and Brian J. Varndell. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") (No 104986) and a Member of the Australian Institute of Geoscientists ("AIG" #2062). He has had over 35 years of continuous experience in mineral exploration and evaluation and more than 30 years' experience in mineral asset valuation. Brian J. Varndell BSc (SpecHonsGeol), FAusIMM (No111022), is a geologist with over 40 years in the industry and 35 years in mineral asset valuation. The writers hold the appropriate qualifications, experience and independence to qualify as an independent "Expert" and "Competent Person" under the definitions of the Valmin Code.

## 2.0 Valuation of the Mineral Assets – Methods and Guides

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17th February, 1995 – the Valmin Code (updated 1999 & 2005). AM&A has derived the estimates listed below using the MEE method for the current technical value of the mineral assets as described below since no JORC Code compliant resources have been declared for any of the tenements.

The ASIC publications "Regulatory Guides 111 & 112" have also been referred to and duly considered in relation to the valuation procedure. The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a "fair value". This is a value that an informed, willing, but not anxious, arms' length purchaser will pay for a mineral (or other similar) asset in a transaction devoid of "forced sale" circumstances.

### 2.1 General Valuation Methods

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms' length transactions,
- Precedents from similar comparable asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,

- Real estate value and rule of thumb or yardstick approach.

## 2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a mineral asset with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project.

Net present value ('NPV') is determined from discounted cash flow ('DCF') analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

## 2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the mineral asset. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots mineral assets are involved.

## 2.4 Similar or Comparable Transactions

When commercial transactions concerning mineral assets in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the mineral asset under consideration.

## 2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a mineral asset with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that take into account the valuer's judgment of the prospectivity of the mineral asset and the value of the database. PEMs can typically range between 'zero' to 3.0 and occasionally up to 5.0 where very favourable exploration results have been achieved, applied to previous exploration expenditure to derive a dollar value. Typical PEM Factors are shown in Table 1.

| 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 |

**Table 1: Typical PEM Factors.**

## 2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the mineral asset that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer

is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the mineral asset. The factors are then applied serially to the BAC of each mineral asset in order to derive a value for the mineral asset. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

### 2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert's knowledge of the particular mineral asset. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration mineral asset based on current market prices for equivalent assets, existing or previous joint venture and sale agreements, the geological potential of the mineral assets, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation.

This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

### 2.8 General Comments

The aims of the various methods are to provide an independent opinion of a "fair value" for the mineral asset under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the mineral asset valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where no known resource exists and are not applicable to mineral assets without an identified resource or reserve.

The values derived for this Report have been concluded after taking into account the general geological environment for the mineral assets under consideration with respect to the exploration potential of each tenement.

### 2.9 Environmental implications

Information to date is that there are no identified existing material environmental liabilities on the mineral assets. Accordingly, no adjustment was made during this Report for environmental implications.

### 2.10 Indigenous Title Claims

Neither the Company nor the authors are aware of any indigenous title claims within the project areas. Accordingly, no adjustment was made during this Report for indigenous title implications.

### 2.11 Commodities-Metal prices

Where appropriate, current metal prices are used sourced from the usual metal market publications or commodity price reviews (e.g." Kitco.com" or "Alibaba").

### 2.12 Resource/Reserve Summary

There are no JORC Code compliant resources or reserves estimates which could be used for a DCF valuation.

### 2.13 Previous Valuations

No previous valuations of the tenement package are known to the authors.

### 2.14 Encumbrances/Royalty

The Projects may be subject to government royalties as stipulated by the Chilean Government

where currently applicable.

No royalty payments are considered in this valuation as no mining is occurring.

# 3.0 Background Information

## 3.1 Introduction

This valuation has been provided by way of a detailed study of existing information and field data provided by MNE regarding mining operations completed to date, on both the project and in immediately adjacent tenures that include approximately 35 mines, ranging from near surface workings to more extensive operations extending several hundred metres below surface. Historical mining activity was centred around three main mineralised trends and within these old mines, copper, as copper oxides, were mined to an approximate depth of 120 m, while copper sulfide ores were mined below to greater depth (i.e. 450 m in the Viuda Mine). A transitional zone of mixed copper oxides and copper sulphides also exists.

## 3.2 Specific Valuation Methods

There are various methods acceptable for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Proved & Probable Reserves to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources may exist. These are discussed above in Section 2.0.

For the MNE Projects the Empirical Method has been applied to determine a value range as at 2nd November, 2015 and a preferred or most likely value ascribed within that range.

## 3.3 Tenement Holding

Together with its wholly owned subsidiaries, MNE holds two tenements in Chile (Table 2). The Company provided the full tenement details to AM&A. We have sighted a legal opinion that confirmed the tenement details by Barros Silva Varela & Vigil, a legal firm from Chile.

| Tenement ID | Location / Project | Registered Holders* | MNE Holding % | Date Granted | Status | Area – ha | Statutory Annual Rent/ha |
|---|---|---|---|---|---|---|---|
| San Sebastian 1/16 (2/16) | Region III, Chile | Minera Panga SpA | 100 | 1998 | Live | 45 | CLP4126.30 |
| San Sebastian 1/16 (1) | Region III, Chile | Minera Panga SpA | 100 | 1998 | Live | 5 | CLP4126.30 |
| **TOTALS** | | | | | | **50** | |

**Table 2: MNE Chile Tenement Holdings.**

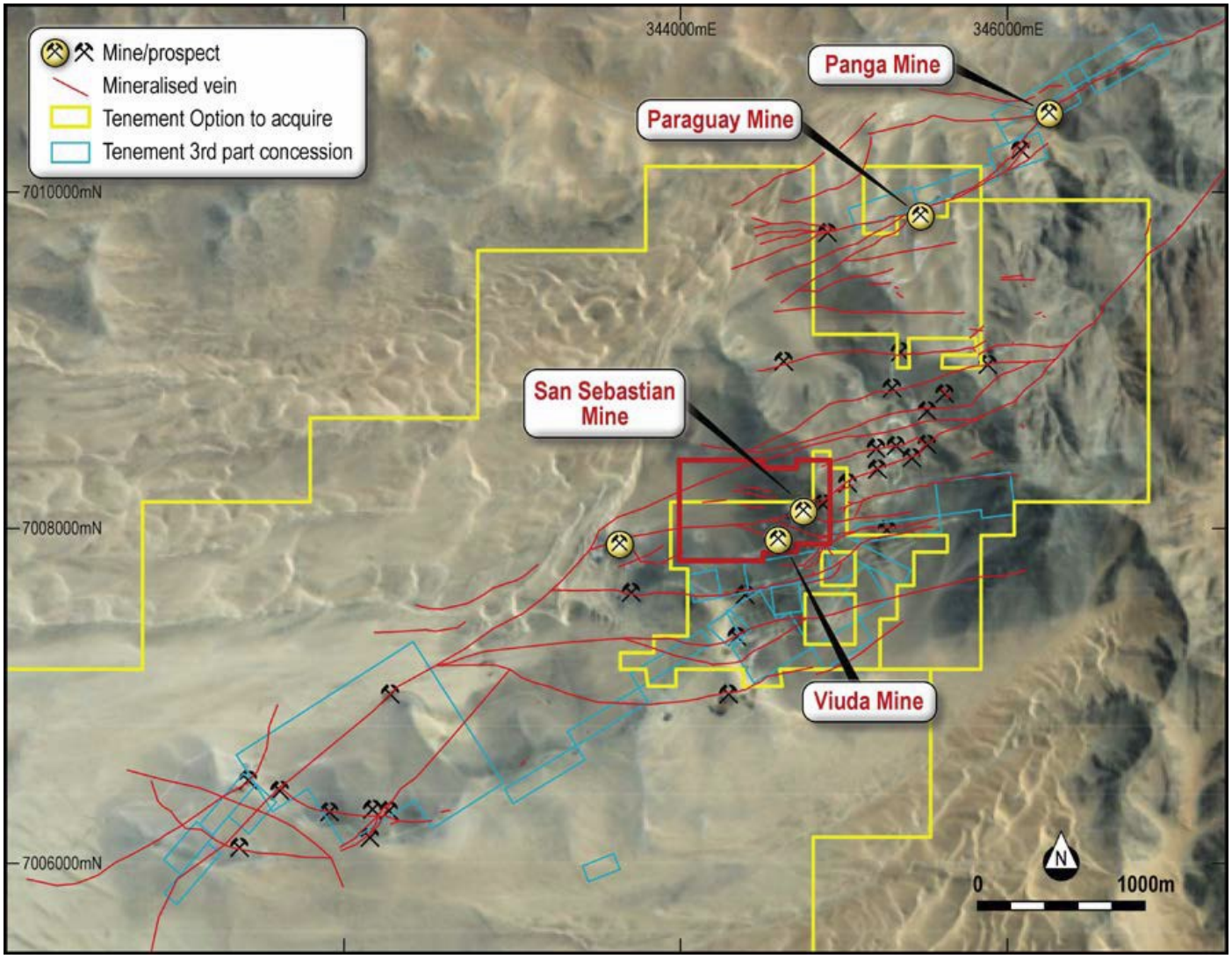


**Figure 2: El Roble Tenements in NE portion of Algarrobo Mining District.**

The tenement schedule includes guidelines addressed in Paragraph 68 of the VALMIN Code (2005) that are considered to be material to the valuation.

The status of the tenements has been verified based on a recent review provided by independent Chilean legal firm "Barros, Silva, Varela & Vigil Abogados Ltda", pursuant to paragraphs 67 and 68 of the VALMIN Code. The tenements are therefore understood to be in good standing at the date of this valuation as represented by MNE.

## 4.0 El Roble Project, Chile

### 4.1 Introduction

The El Roble Project is part of the Algarrobo Mining District and consists of two tenements, comprising a total of 50 ha located approximately 25 km east of the port city of Caldera, Chile. The Property is located within a regionally extensive, iron-enriched metallogenic belt, part of a Mesozoic volcanic arc extending from southern Peru through northern Chile. The entire lease area falls within the Algarrobo Mining Centre and encompasses a number of historic mines.

Mineralisation at Algarrobo is as vein/manto deposits developed in a shear-related to the contact between two igneous intrusives.

## 4.2 Location and Access

The El Roble Project is located approximately 850 km north of Santiago, in the III Region, Province of Chanaral, Chile. The city of Copiapo is located approximately 43 km to the southeast and the small port city of Caldera is 25 km to the west. The approximate centre of the Property is located at 27° 2' 48" S Latitude, 70° 34' 4" W Longitude. The map sheet covering the Property and area is the 1:50,000 Sierra de la Gloria, 2700-7030.

Access to the property is available all year. Partially gravelled roads extend approximately 10 km northwest from the Highway Japanese and approximately 10 km east from Caldera. The remainder of the roads and trails to, and throughout, the area comprise packed sand or are over exposed bedrock.

The project is located in the southern Atacama Desert characterized by an arid climate and has little or, locally, no vegetation. The limited vegetation present consists of desert scrub, low ground cover comprised of flowering shrubs and cactus. Being located in a desert, precipitation is limited. Temperatures vary between 15° and 30° during the day and between 0° and 10° at night, depending on the season.

## 4.3 Regional Geological Setting.

The Property is located slightly inboard of a subduction zone on the South American plate. Subduction related volcanism is the underlying source of mineralisation developed along a 1,000 km long metallogenic belt extending from southern Peru through Chile. Mineral deposit type and associated mineralisation is a function of distance from the subduction zone and increasing depth to the subducted plate. The iron-enriched, Iron-Oxide Copper-Gold ("IOCG") belt extends to approximately 40 km east of the coast. During the Mesozoic, a large igneous body was intruded along the western margin of the Andes, mineralising the host rocks, comprised predominantly of granodiorite. This large batholith is the chief source of mineralisation comprising this regionally extensive metallogenic belt.

Deposit types of economic interest in Chile include the numerous documented porphyritic Cu-Au-Mo deposits and IOCG deposits, as well as sulphide vein deposits. The Algarrobo Mining District, together with well-known mining areas such as Tocopilla, El Gatico, Carrizal Alto and Las Iligueras comprise a metallogenic belt arising from Mesozoic collision tectonics.

Northern Chile has four well-defined metallogenic belts which run parallel to the axis of the Andes. From youngest to oldest, these are the Upper Tertiary Goldbelt that includes the El Indio and Maricunga sectors located in the main Andean Cordillera and characterized by high sulphidation epithermal and porphyry gold systems, including Esperanza, La Coipa, La Pepa, Marte-Lobo, Refugio and Cerro Casale- Aldebaran, and El Indio-Tambo and Pascua-Lama (formerly Nevada) of the El Indio sector. The Lower Tertiary Goldbelt is east of the coastal belt in the back-arc basin, and characterized by both low and high sulphidation epithermals, including San Cristobal, Guanaco and El Peñon gold and silver deposits.

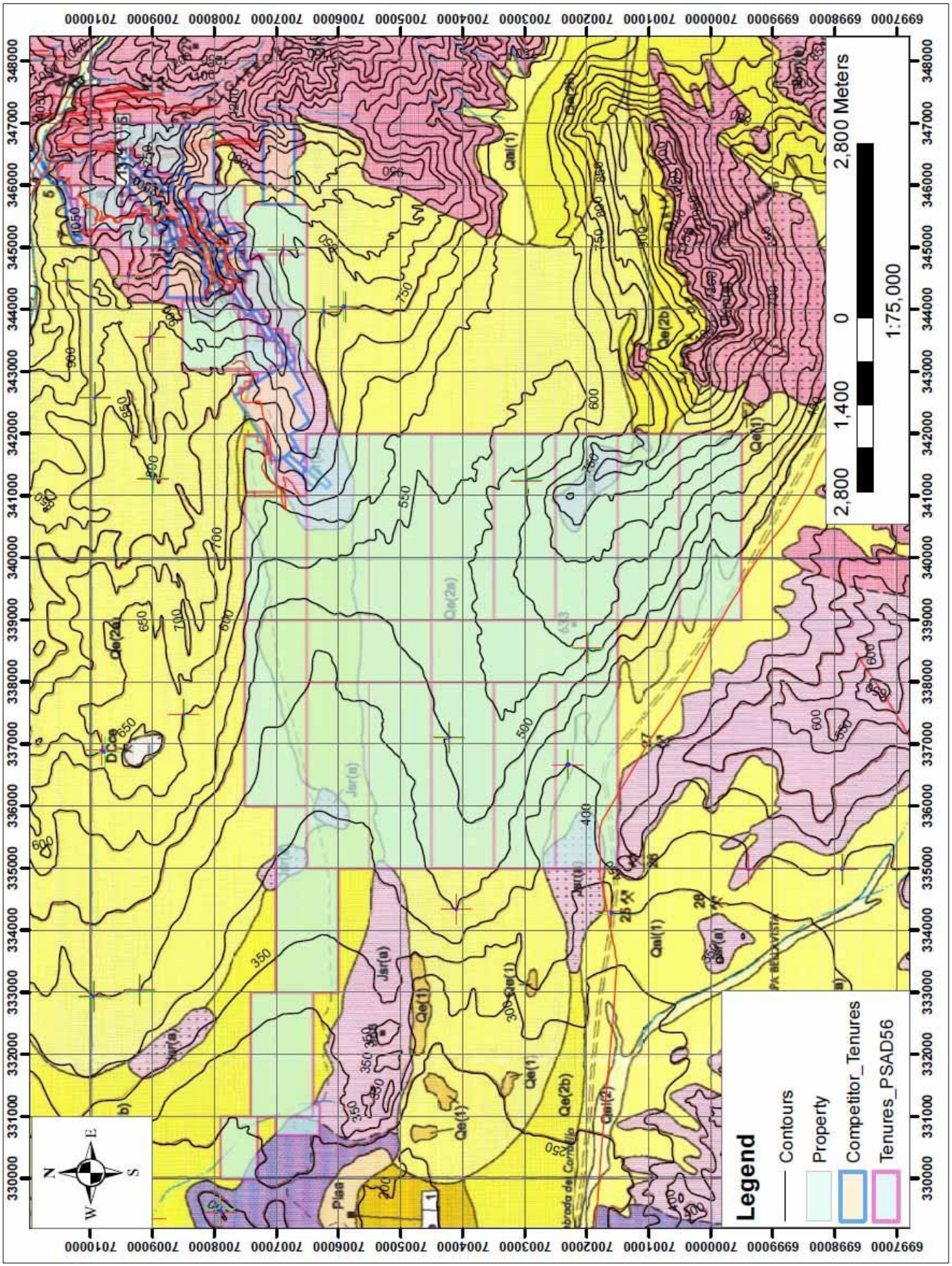


**Figure 3: El Roble Project Regional Geology with Tenement Outline.**

The Lower Tertiary porphyry copper belt is located in the pre-cordillera Domeyko Range and parts of the main Andean Range that contains the giant Cu (Mo-Au) porphyries including El Teniente,

Chuquicamata, Escondida, Zaldivar, Collahuasi, Los Pelambres, Los Bronces, Andina, and others. Controlled by the Falla Oeste ("West Fault") this is an approximately 3,000 km long regional structural feature. The Mesozoic IOCG belt is located along the Coastal Ranges and parts of the pre-cordillera of Northern Chile. This is part of a Mesozoic volcanic arc characterized by Andean IOCG deposits which include Los Colorados (Fe), El Algarrobo (Fe), El Romeral (Fe), Mantos Blancos (Cu-Ag), Mantoverde (Cu), Candelaria (Cu-Au-Fe), El Soldado (Cu) and Andacollo (Cu-Au) in Chile, and Marcona (Fe, Cu) in Peru.

Chile is well known for its giant porphyry copper deposits where the Mesozoic IOCG Belt is best known for its large IOCG deposits affiliated with the Atacama Fault Zone. These structurally-controlled deposits typically occur as iron-rich stockworks, breccias and mantos enclosed within vast sodium/potassium alteration zones usually accompanied by an extensive network of highly mineralised and routinely hand-mined veins. Magnetite, hematite and siderite are the dominant gangue minerals. Copper occurs as disseminations, veinlets and breccia-cement. Sulphide ores are typically oxidised to malachite/atacamite within 120 m of surface.

A typical IOCG example is the Phelps Dodge Candelaria Mine located approximately 65 km SE of Algarrobo and is one of the largest deposits of its kind in Chile. This shear/manto deposit hosts 470 Mt grading 0.95% Cu and 0.2 g/t Au and is. Another example is the Anglo American's Mantoverde operation located approximately 50 km NNW of Algarrobo and contains 120 Mt grading 0.73% Cu in a shear/ breccia setting. High grade IOCG vein/breccia systems typically carry grades above 1.5% Cu over widths of several metres, and have been mined underground to depths in excess of 600 m.

### 4.4 Local Geological Setting.

The Algarrobo Mining District is underlain by the Jurassic age Plutón Sierra El Roble, comprised of diorite, quartz diorite and olivine gabbro to the west and quartz diorite correlated to the Cretaceous age quartz diorite Plutón Cerro Moradito to the east (Fig 2). The contact between these two intrusions is interpreted as intrusive with the younger Cretaceous pluton intruded into the older Jurassic pluton. The NNE trending contact is only irregularly exposed through Quaternary aeolian and alluvial cover. To the east of the district a younger dyke swarm is evident cross-cutting the Plutón Cerro Moradito. Quaternary aeolian and alluvial cover, predominantly comprised of sand also blankets the lower elevations.

The El Roble and immediately surrounding area is interpreted to host three mineralised sets of fractures, of which at least eight are well mineralised veins greater than 2.5 m in thickness. These mineralised systems appear to be aerially extensive having an interpreted surface extent in excess of 300 m. Five of these mineralised veins have been the subject of commercial exploitation. The true strike length of these mineralised veins is difficult to determine due to the extensive sand cover prevalent at lower elevations (Fig 3).

At least 12 mineralised veins with a minimum thickness of at least 1 m and a visible surface extension in excess of 300 m have been identified in the district to date. Many of these veins have been subjected to limited surface development by local miners, while others remain to be evaluated. The orientations of the most important vein systems are as follows:

- 035° - 045° / dipping 60° - 85° NW
- 055° - 065° / dipping 60° - 85° NNW
- 085° - 095° / dipping 60° - 85° N


**Figure 4: General View to the SW over a portion of the Algarrobo Mining District.**

The documented oxidation zone, evident at surface, extends to depths between 80 and 120 m while to the south, located at lower elevations, a similar oxidation zone extends between 30 and 60 m below surface. Underlying sulphide mineralisation has been mined to a maximum depth of 450 m at the Viuda mine. Vein thickness varies significantly in both the horizontal and vertical axis, with most of the mineralisation occurring as irregular lenses. Maximum dimensions of mineralised lenses observed range up to 60 m horizontally and 40 m vertically, with widths between 1.5 to more than 5 m. The dip of the veins varies between 45° and 90°, with an average of approximately 80° NW to N. Hydrothermal alteration of the host rock adjacent to the veins is insignificant, comprising a halo to a maximum of 3 m. However, in areas having a dense network of thin to very thin mineralised fractures, alteration of the host rock may be more pronounced.

## 4.5 Mineralisation

A large copper-gold mineralised system has been identified at the Algarrobo Mining Centre to date, which extends approximately 8 km NW-SE and is approximately 2.5 km wide. Within this area are located approximately 35 old mines and a number of significant mineralised surface exposures. Mines in the immediate area range from workings with limited development to relatively extensive mining operations extending to depths up to 450 m below surface. Mineralisation identified on the district includes the following:

**Gangue Minerals**: quartz, actinolite, tourmaline, calcite and chlorite.

**Primary Minerals**: pyrite, arsenopyrite, hematite, magnetite, chalcopyrite, bornite, molybdenite, cobaltite and gold.

**Secondary Minerals**: limonite, cuprite, malachite, chrysocolla, erythrite, chalcocite, covellite and bornite.

Alternatively, the minerals can be categorized as follows:
**Reduced Environment**: pyrite, arsenopyrite, chalcopyrite, bornite, molybdenite.
**Sulphosalts**: Cobaltite.
**Transitional to Oxidized Environment** (Supergene Enrichment): chalcocite, covellite.
**Oxidized Environment**: hematite, magnetite, cuprite, chrysocolla, erythrite.

Supergene enrichment of economic metals is interpreted to have occurred in the near surface environment (i.e. within the oxidized zone), resulting in an overall increase in metal content and development of the suite of secondary, supergene and/or oxide minerals.

### 4.6 Previous Exploration

The Algarrobo copper deposits were discovered in the late 1700s, with initiation of large scale industrial mining between 1868 to 1893. In 1890 a report reviewed the merits of the district for the purpose of railway construction to the nearby port of Caldera based on the approximately 800,000 t of ore grading in excess of 12% Cu that had been extracted by 1890. Approximately the same tonnage remained in the "waste" dumps, grading between 3% and 4% Cu. The British operator of the mines completed construction of a 20 km railroad to transport ore and reduced transport costs. In addition, the railroad increased efficient exploitation of the ore and reduced the cut-off grade of direct shipping ore ("DSO") to 12%. "High grade ore" had comprised ore greater than 15% Cu and was shipped directly to England, while low grade ore was processed at a local smelter in Caldera prior to shipment to England.

In the mid-1900s, a road was constructed to Caldera, which permitted successive phases of mineral extraction from the waste dumps. Such work was limited but included predominantly manual operations of further extraction of vein material from old workings. In addition to the railroad, a cable car was constructed to facilitate transport of the ore from the mine workings at an elevation of approximately 1,100 m to the railhead at an elevation of approximately 650 m. The railway remained in operation into the 1940s. Mining operations resulted in approximately 35 mines, ranging from near surface workings to more extensive operations extending several hundred metres below surface.

No information is available regarding the amount of ore extracted from the old mines; however, an estimated 800,000 t of waste mine dumps remain in the area. Based on the amount of material in these dumps and the size of the workings, an estimated 2.5 Mt of material was extracted, with an estimated 1.0 Mt of ore shipped. The waste dumps provide some information regarding the grade of the ore extracted. In the period between 1960 and 1980, these waste dumps were reprocessed three times by local miners aided by a new 35 km road to the area.

Records indicate the initial phase of reprocessing produced ore grading between 6 – 8% Cu. During the second phase of reprocessing, the grade of ore produced was between 4 – 6% Cu and the third phase of reprocessing produced ore grading between 1.5 – 2% Cu. This indicates that the British operator probably had a cut-off grade of approximately 6% Cu.

In the period between 1920 and 1997, sporadic manual production by local miners was conducted on extensions of the veins as well as on numerous new veins identified. New workings in these more recent vein discoveries are generally shallow, with depths ranging from 5 to 40 m below surface. Local pirquineros (miners) claim that until 1973, they sold ore grading 6% Cu and higher to ENAMI, the Chilean Government operator, as DSO. In 1973, ENAMI raised the cut-off grade for DSO to 12% Cu. All of the ore mined by the pirquineros was hand sorted to meet these ENAMI requirements. All pirquinero activity on the Property ceased in 1997 when the world copper price dropped by approximately 50%. In 1996, Minera Aguilander, a local mining company, began a leaching project at Algarrobo, with the intention of processing material in the remaining waste dumps which had assayed grades between 1.5% and 2.5% Cu. This project was also halted in 1997 due to a further drop in world copper prices. In 1997, American Canyon Mining Chile Ltda. ("ACM") started a test operation of processing mine dumps in leach pads on site. Approximately 9000 t of material was

crushed, screened and stacked after laboratory leach tests showed satisfactory results. The world-wide drop in the price copper halted the project in 1998. Since 1998, ACM has undertaken further exploration of the property in order to determine the mineral potential remaining in the old mines as well as the unmined vein extensions.

Since 1998, ACM has undertaken exploration programs over the known mineralised area. The scope of these programs has been to map vein exposures at surface; map and sample existing mine workings, pirquinero workings, test pits and mine dumps. A total of 187 samples were recovered as part of this program

Nine Reverse Circulation ("RC") drill holes were apparently drilled in 2005, however, there is no information with respect to either the locations of the drill collars or the results of this program. An additional 15 RC holes were completed in 2009, totalling 704 m however all these holes are outside the El Roble Project area.

## 4.7 Recent Development

MNE announced on 27th August 2014 an option to purchase 100% of the San Sebastian project for US$250,000 and completed the purchase on 10th December 2014. New development headings were advanced on the 1030 m level of the San Sebastian mine and sampling was undertaken at the Viuda mine (Fig 5).


**Figure 5: San Sebastian (purple) and Viuda (red) Mines Satellite image (***grid 250 m).*


**Figure 6: San Sebastian vein looking north showing favourable topography for access to 1040 and 1090 levels and potential access to the vein below the 1040 level.**

From August 2014 development along strike of some 75 m of drive was completed and returned significant high grade assays (max 12.6% Cu and 5.1 g/t Au) over widths that varied from 1.2 to 1.6 m. A stope panel was designed with two extraction raises connected to the 1090 m level; vein widths exposed in the raises widened and to average 2.50 m with widths up to 4.00 m being exposed. Average grade of material mined from these raises averaged 6.84% Cu (Figs 7 & 8).

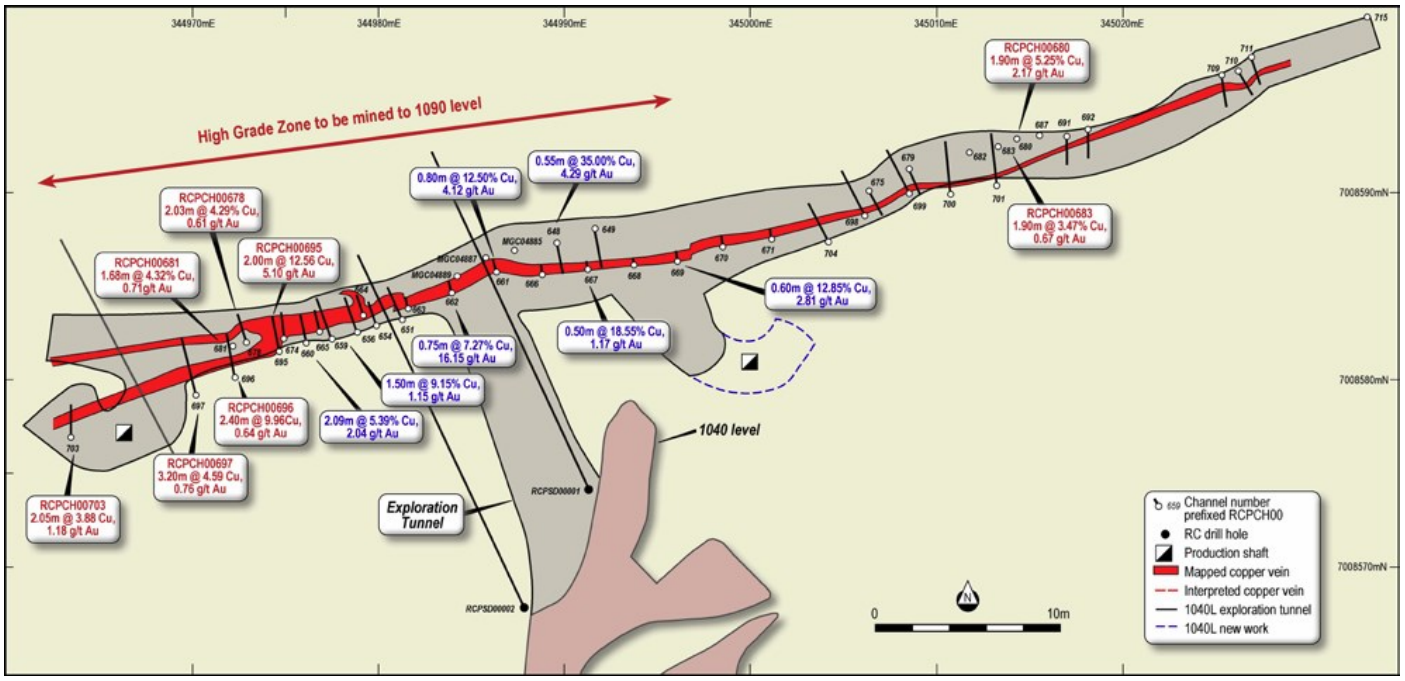


**Figure 7: San Sebastian 1040 level Plan with high grade copper and gold results.**
*Results in red released to ASX on 6 November 2014; results in blue released to ASX on 1 October 2014.*

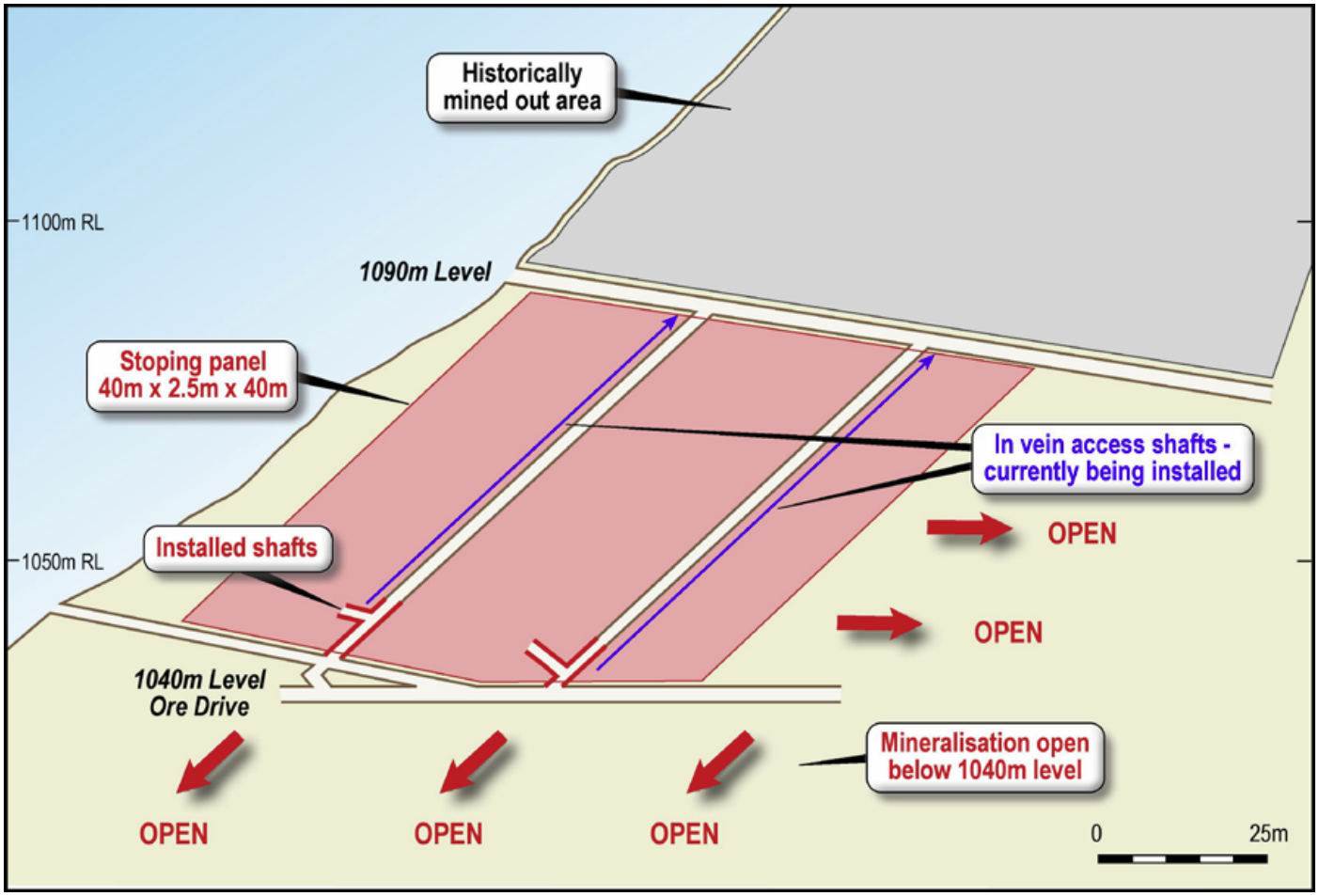


**Figure 8: San Sebastian mine schematic long section showing access to the first stoping panel between the 1040 m and 1090m levels.**

On 8th April 2015 MNE announced to the ASX a San Sebastian Mine Exploration Target tonnage estimate that ranged from 280,000 to 360,000 t with copper grades that ranged from 2.90 to 4.75% Cu. AM&A estimate that the applicable gold grade range for this material is 0.2 to 0.6g/t Au. Note that Exploration Targets are NOT to be misconstrued as any form of Mineral Resource or Reserve Estimates. They are conceptual in nature and future work may or may not outline any form of resource/reserve either in whole or in part.

The basic parameters that underlie the estimate are:

- Strike length 400 m
- Depth extent 200 m
- Dip $65^0$
- Specific Gravity 2.93 $t/m^3$
- Vein width 1.2 to 1.6 m
- Recovery Factor 70%

The higher confidence portion of this estimate is defined by a higher level of certainty due to proximity to mine workings where a high level of data coverage exists. Mineralisation is still open down dip and along strike in all directions (Fig 9).

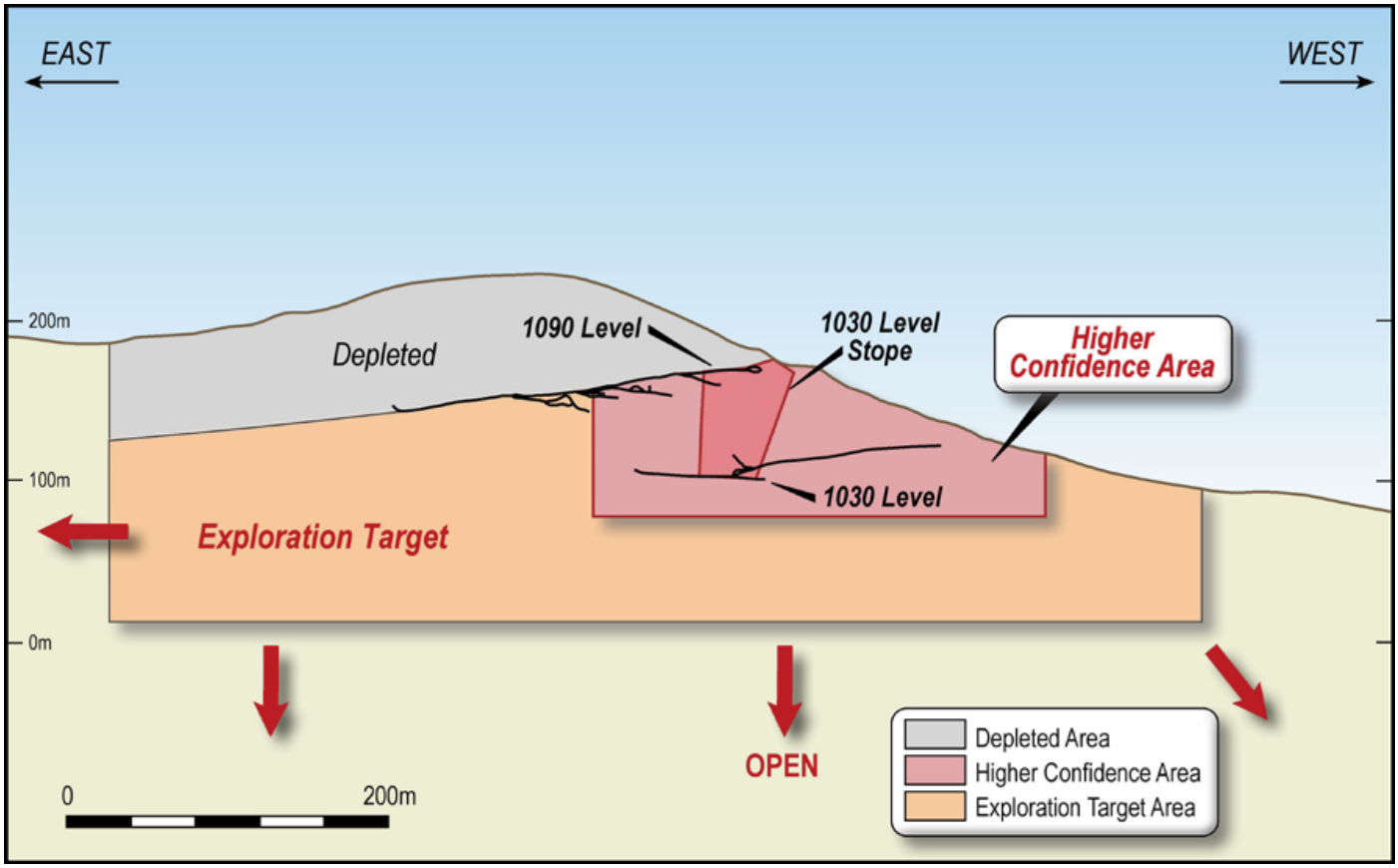


**Figure 9: San Sebastian Mine Long Section, view south Exploration Target Estimate.**

The Viuda Mine consists of a single tunnel accessing a high grade copper vein into the side of a hill, approximately 225 m south of the San Sebastian Mine (Fig 5). The vein above the access tunnel has been partially mined out with a 50m long high grade copper zone identified by Metallum sampling which consisted of channel and rock chip sampling across the vein where safely accessible (Fig 10). Due to the presence of historic stoping areas, sampling was only conducted where safe to be undertaken consequently no full vein width channel samples were able to be collected.

The vein varies from 0.40 to 3.00 m wide and dips approximately $55^0$ to the north. The entrance to the Viuda tunnel has been established on the side of a steep hill and an opportunity exists to develop another access tunnel along the vein below the existing workings. Exploration Target estimates are not yet possible.

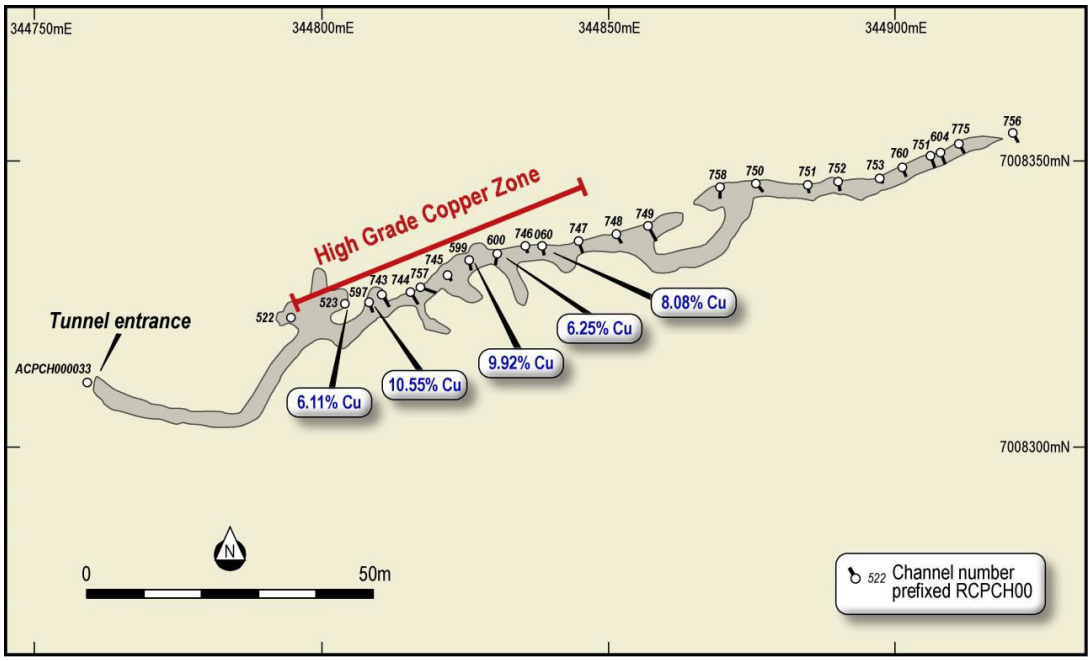


**Figure 10: Viuda Mine Plan showing high grade copper results within a 50m long zone.**

**Figure 11: Limited set of workings with high grade copper.**

### 4.5 Exploration Potential

Information available to date on the district is interpreted to indicate considerable potential for upside remains for the identification and delineation of additional high grade copper veins, as well as high grade lenses along the veins, on both the neighbouring and Roble tenements. Similar potential is interpreted to exist for identification of analogous veins under the predominantly sand-covered western areas. Preliminary exploratory excavations exposing narrow, near surface copper veins returning assays up to 10.23% Cu support this interpretation.

The district is interpreted to have potential for high grade copper vein-style mineralisation. In addition IOCG and/or porphyry-style mineralisation may also be present. Accordingly, the Algarrobo Mining District is believed to still be in the early stages of exploration and development.

Considerable potential is believed to exist for the discovery of additional high grade copper veins, comparable to those currently known. With further work the documented strike length and depth extent of the major vein systems may be increased, together with a number of subsidiary veins.

Finally, production arising from the known, documented and postulated discoveries is expected to be markedly increased through further exploration and development. To this end an orientation MMI sampling is recommended over sand covered zones to further rapidly define these hidden targets.

## 5.0 Valuation of the Projects

When valuing any mineral asset/project it is important to consider as many factors as possible that may either assist or impinge upon the current cash value estimates of the mineral asset under consideration. In this Report AM&A considers that the primary features to be taken into account are the Tenement Security; Available Infrastructure; Relevant Expenditure on development and the general Geological Setting.

Basically, these “Boxes are Ticked” as described above with regards to tenement security, remote scale infrastructure, previous exploration concepts and a favourable geological environment.

### 5.1 Selection of Valuation Methods

The following valuation methods, as described above in section 2, are not considered applicable for the respective reasons provided:

- The Discounted Cash Flow method cannot be used for the Project as the lack of mineral reserve estimates precludes a DCF;
- The Kilburn ‘prospectivity’ method - as the range of values generated is typically too wide to be realistic.
- Comparable transactions – with the recent general demise of the exploration industry, through lack of ‘high-risk funds’, this has curtailed much activity thus no similar recent relevant transactions could be located for similar projects in the region.
- Real estate value which is usually based on a value ascribed to varying areas of tenement holdings which may consequently become unrealistic due to the varying areas of projects.
- The MEE method was deemed unreliable due to the high underground development costs at the project that have yet to produce JORC Code compliant resource estimates.

Accordingly the Empirical method for the tenement package has been adapted as the overriding basis for the estimation of the value. The Empirical method was applied to the Exploration Target

estimates for the project. Note that Exploration Targets are NOT to be misconstrued as any form of Mineral Resource or Reserve Estimates. They are conceptual in nature and future work may or may not outline any form of resource/reserve either in whole or in part.

### 5.2 Valuation – Empirical Method

The data was collected from ASX announcements and deemed applicable. The exploration potential has been maintained by the data collection activity that also maintained the usefulness of the data. The current Exploration Target tonnage and grade estimates were used for the valuation, with discounts from 99.5 to 99.7% applied to the insitu metal values for valuation purposes with workings summarised in Appendix 1.

### 5.3 Valuation Conclusions

The summary results of the methods are presented in Table 3. As stated above the Empirical method was selected as the most appropriate for valuation estimate purposes.

| | A$000s | | |
|---|---|---|---|
| **Method** | **Low** | **High** | **Preferred** |
| Empirical | 174 | 674 | **371** |

**Table 3: Summary Range of Current Values.**

This Report concludes that the cash value of 100% of the MNE El Roble Project in Chile at 2nd November, 2015, is ascribed at $371,000 from within the range $174,000 to $674,000.

Yours faithfully,

Allen J. Maynard
BAppSc(Geol), MAIG, MAusIMM.

Brian J. Varndell
BSc(Spec Hons) FAusIMM.

*Competent Persons Statement*

*The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard 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 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.*

*Competent Persons Statement*

*The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Varndell is an associate of Al Maynard & Associate Pty Ltd and has over 40 years of exploration and mining experience in a variety of mineral deposit styles including iron ore mineralisation. Mr Varndell 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 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Varndell consents to inclusion in the report of the matters based on this information in the form and context in which it appears.*

## 6.0 References

AusIMM - JORC Code, 2012. *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve,* prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC), 2012 Edition.

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Walker R.T. (2015) - Algarrobo Propert Report.

## 7.0 Glossary of Technical Terms and Abbreviations

| | |
|---|---|
| Anomaly | Value higher or lower than the expected or norm. |
| Base metal | Generally a metal inferior in value to the precious metals, eg. copper, lead, zinc, nickel. |
| Complex | An assemblage of rocks or minerals intricately mixed or folded together. |
| Diamond drill | Rotary drilling using diamond impregnated bits, to produce a solid continuous core sample of the rock. |
| Dip | The angle at which a rock layer, fault of any other planar structure is inclined from the horizontal. |
| Fault | A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture. |
| Felsic | Descriptive of an igneous rock which is predominantly of light coloured minerals (antonym: of mafic). |
| Intercept | The length of rock or mineralisation traversed by a drillhole. |
| JORC | Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves. |

| | |
|---|---|
| Mineralisation | In economic geology, the introduction of valuable elements into a rock body. |
| Ore | A mixture of minerals, host rock and waste material which is expected to be mineable at a profit. |
| Outcrop | The surface expression of a rock layer (verb: to crop out). |
| Proterozoic | The geological age after Archaean, approximately 570 to 2400 million years ago. |
| Quartz | A very common mineral composed of silicon dioxide-$SiO_2$. |
| RAB | Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air. |
| RC | Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination. |
| Reconnaissance | A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey. |
| Remote Sensing | Geophysical data obtained by satellites processed and presented Imagery as photographic images in real or false colour combinations. |
| Resource | In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements. |
| Shear (zone) | A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated. |
| Stratigraphy | The succession of superimposition of rock strata. Composition, sequence and correlation of stratified rock in the earth's crust. |
| Strike | The direction or bearing of the outcrop of an inclined bed or structure on a level surface. |
| Syncline | A fold where the rock strata dip inwards towards the axis (antonym: anticline). |
| Vein | A narrow intrusive mineral body. |
| Volcanic | Describes clastic fragments of volcanic origin. |

**Abbreviations**

| | | | |
|---|---|---|---|
| g | gram | $m^3$ | cubic metre |
| kg | kilogram | mm | millimetre |
| km | kilometre | M | million |
| $km^2$ | square kilometre | oz | troy ounce |
| m | metre | t | tonne |
| $m^2$ | square metre | | |

## Appendix 1: Details of Valuation Estimates.

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Metallum - El Roble Project - Chile** | | | | | | | **2 Nov 2015** | | | | | |
| | Cu - US$/t | Cu - A$/t | A$:US$ | | Au-US$/oz | Au-A$/g | | | | | | |
| | 5129.5 | 7224.6 | 0.71 | | 1141.4 | 51.69 | | | | | | |
| Phil Jones Analysis | | | | | | BJV | | | | | | |
| | Stike | Area | Depth | SG | t | Cu% | Au g/t | | | | | |
| San Sebastian | 106 | 126.75 | 100 | 3 | 38,025 | 4.75 | 1.3 | | | | | |
| | | | | | | | | | | | | |
| Viuda | 140 | 132.8 | 100 | 3 | 39,840 | 2.9 | 0.2 | | | | | |
| Total | | | | | 77,865 | | | | | | | |
| ie Expl Target is approx 5 times exposure strike | | | | | | 5 | | | | | | |
| | | | | | | | | | | Min | Max | **Preferred** |
| MNE Exploration Target* | | 280-360,000t | | 2.9-4.75% | 0.2-0.6g/t | | Discount Factors 99.7-99.5% | | | 0.30% | 0.50% | **0.40%** |
| | | | | | | | | | | | | |
| **Valuation** | | | | | | | | | | | **A$** | |
| | Min t | Max t | Pref t | Min Cu % | Max Cu % | Pref Cu % | Min Aug/t | Max Aug/t | Pref Aug/t | **Min $** | **Max$** | **Pref $** |
| Base | 260,000 | 360,000 | 310,000 | 2.95% | 4.75% | 3.85% | 0.2 | 0.6 | 0.4 | 58,100,705 | 134,705,586 | **92,635,197** |
| **NOTE: Cells K16 to M16 are theoretical insitu $ ranges** | | | | | | | | | | 174,302 | 673,528 | **370,541** |

*Note that Exploration Targets are NOT to be misconstrued as any form of Mineral Resource or Reserve Estimates. They are conceptual in nature and future work may or may not outline any form of resource/reserve either in whole or in part.

## SCHEDULE 2 – TERMS OF OPTIONS

**1. Exercise Price**

The exercise price of each Option is $0.00006.

**2. Entitlement**

Each Option shall entitle the holder the right to subscribe (in cash) for one Share in the capital of the Company.

**3. Option Period**

The Options will expire at 5.00pm WST on 31 July 2016. Options may be exercised at any time prior to the expiry date and Options not so exercised shall automatically expire on the expiry date.

**4. Ranking of Share Issued on Exercise of Option**

Each Share issued as a result of the exercise of any Option will, subject to the Constitution of the Company, rank in all respects pari passu with the existing Shares in the capital of the Company on issue at the date of issue.

**5. Voting**

A registered owner of an Option (**Option Holder**) will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.

**6. Transfer of an Option**

Options are transferable at any time prior to the expiry date. This right is subject to any restrictions on the transfer of Options that may be imposed by the ASX in circumstances where the Company is listed on the ASX and the Corporations Act.

**7. Method of Exercise of an Option**

(a) The Company will provide to each Option Holder a notice that is to be completed when exercising the Options (**Notice of Exercise of Options**). Options may be exercised by the Option Holder by completing the Notice of Exercise of Options and forwarding the same to the Company Secretary to be received prior to the expiry date. The Notice of Exercise of Options must state the number of Options exercised and the consequent number of ordinary shares in the capital of the Company to be issued; which number of Options must be a multiple of 2,500 if only part of the Option Holder's total Options are exercised, or if the total number of Options held by an Option Holder is less than 2,500, then the total of all Options held by that Option Holder must be exercised.

(b) The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of shares being subscribed.

(c) The exercise of less than all of an Option Holder's Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holder's remaining Options.

(d) Within 14 days from the date the Option Holder properly exercises options held by the Option Holder, the Company shall issue to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.

(e) If the Company is listed on the ASX, the Company will apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act and the Listing Rules of the ASX.

**8. ASX Listing**

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

**9. Reconstruction**

In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.

**10. Participation in New Share Issues**

There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the expiry date unless and until the Options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue will be such date required to satisfy the Listing Rules in order to afford the Option Holder an opportunity to exercise the Options held by the Option Holder.

**11. No Change of Options' Exercise Price or Number of Underlying Shares**

Subject to clause 9, there are no rights to change the exercise price of the Options or the number of underlying Shares.

## SCHEDULE 3 – PRO-FORMA BALANCE SHEET

The un-audited balance sheet as at 30 September 2015 and the unaudited pro-forma balance sheet as at 30 September 2015 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

| | UN-AUDITED 30 SEPTEMBER 2015 | PROFORMA 30 SEPTEMBER 2015 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash | 122,339 | 1,931,519 |
| Trade and other receivables | 17,088 | 17,088 |
| Other Assets | 14,776 | 14,776 |
| **TOTAL CURRENT ASSETS** | **154,203** | **1,963,395** |
| | | |
| **NON-CURRENT ASSETS** | | |
| Fixed Assets | 7,097 | 7,097 |
| Exploration | 175,349 | 175,349 |
| Other non-current assets | 4,595 | 4,595 |
| **TOTAL NON-CURRENT ASSETS** | **187,041** | **187,041** |
| | | |
| **TOTAL ASSETS** | **341,244** | **2,150,436** |
| | | |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | 557,175 | - |
| Provisions | 26,378 | - |
| Borrowings | 285,822 | - |
| **TOTAL CURRENT LIABILITIES** | **869,375** | **-** |
| | | |
| **TOTAL LIABILITIES** | **869,375** | **-** |
| | | |
| **NET ASSETS (LIABILITIES)** | **(528,131)** | **2,150,436** |
| | | |
| **EQUITY** | | |
| Share capital | 22,257,725 | 24,985,171 |
| Reserves | 6,042,187 | 6,042,187 |
| Accumulated losses | (27,229,129) | (27,278,008) |

| | UN-AUDITED 30 SEPTEMBER 2015 | PROFORMA 30 SEPTEMBER 2015 |
|---|---|---|
| Non-controlling interest | (1,598,914) | (1,598,914) |
| **TOTAL EQUITY** | **(528,131)** | **2,150,436** |

The pro-forma balance sheet includes the following pro-forma adjustments;

1. The inclusion of a capital raising of $2,000,000;

2. An adjustment to recognise $918,254 in liabilities (to Merchant Capital, directors and unrelated creditors including staff entitlements) being settled via the issue of shares;

3. An adjustment to record the payment of $1 and to remove $394,000 in liabilities which are to be assumed by the former directors in relation to the sale of the Company's Chilean assets.

4. An adjustment to record additional borrowings from Merchant under the terms of its convertible note and additional creditors incurred in the ordinary course of business for the Company from the period 30 September to the date of this prospectus

5. The inclusion of transaction costs of $190,808;

The information is unaudited and preliminary. It contains estimates of various items as at 30 September 2015 based on the Company's internal management accounts. Metallum's half year audit reviewed financial statements for the period ended 31 December 2015 are to be released to ASX by 15 March 2016. The information is presented in an abbreviated form in that is does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

ACN 149 230 811

All communications to:
Metallum Limited
Suite 5, 62 Ord Street
West Perth, WA, 6005

# Security Holder Appointment of Proxy – General Meeting

I/We being a Shareholder entitled to attend and vote at the Meeting, hereby appoint

| | | |
|---|---|---|
| | OR | The Chair as my/our proxy |

*(Name of Proxy)*

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the General Meeting to be held at 10.00am (WST) on 26 February 2016 at Suite 5, 62 Ord Street, WEST PERTH WA 6005 and at any adjournment thereof.

**AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS**

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to vote in accordance with the Chair's voting intention as stated below on Resolutions 5, 6, 7, 8, 9, 10, 11, 12, 13 & 14 (except where I/we have indicated a different voting intention below) even though Resolutions 5, 6, 7, 8, 9, 10, 11, 12, 13 & 14 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

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

Unless indicated otherwise by ticking the "for", "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

## VOTING ON BUSINESS OF THE MEETING

| | Resolutions | For | Against | Abstain |
|---|---|---|---|---|
| 1 | Approval for Sale of Main Undertaking | ☐ | ☐ | ☐ |
| 2 | Approval for Sale of Main Undertaking to Related Parties | ☐ | ☐ | ☐ |
| 3 | Approval to Issue Securities on Conversion of Convertible Loan | ☐ | ☐ | ☐ |
| 4 | Approval to Issue Capital Raising Securities | ☐ | ☐ | ☐ |
| 5 | Approval for Related Party to Sub Underwrite Capital Raising - Winton Willesee | ☐ | ☐ | ☐ |
| 6 | Approval for Related Party to Participate in Capital Raising – Winton Willesee | ☐ | ☐ | ☐ |
| 7 | Approval for Related Party to Participate in Capital Raising – Shannon Coates | ☐ | ☐ | ☐ |
| 8 | Approval for Related Party to Participate In Capital Raising – Zeffron Reeves | ☐ | ☐ | ☐ |
| 9 | Approval for Related Party to Participate In Capital Raising – Colin Johnstone | ☐ | ☐ | ☐ |
| 10 | Approval to Issue Securities to Related Party in lieu of Cash Payment for Fees – Winton Willesee | ☐ | ☐ | ☐ |
| 11 | Approval to Issue Securities to Related Party in lieu of Cash Payment for Fees – Erlyn Dale | ☐ | ☐ | ☐ |
| 12 | Approval to Issue Securities to Related Party in lieu of Cash Payment for Fees – Shannon Coates | ☐ | ☐ | ☐ |
| 13 | Approval to Issue Securities to Related Party in lieu of Cash Payment for Fees – Zeffron Reeves | ☐ | ☐ | ☐ |
| 14 | Approval to Issue Securities to Related Party in lieu of Cash Payment for Fees – Colin Johnstone | ☐ | ☐ | ☐ |
| 15 | Approval to Issue Securities to Unrelated Creditors | ☐ | ☐ | ☐ |
| 16 | Consolidation | ☐ | ☐ | ☐ |

*Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

## SIGNATURE OF SHAREHOLDER(S):

| **Individual or Shareholder 1** | **Shareholder 2** | **Shareholder 3** |
|---|---|---|
| | | |
| Sole Director / Company Secretary | Director | Director / Company Secretary |

Day Month Year

/ /

**APPOINTING A PROXY**

A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. The appointed proxy may be an individual or body corporate.

If a Body Corporate is appointed to act as your proxy then a representative of that Body Corporate must be appointed to act as its representative. When attending the meeting, the representative must bring a formal notice of appointment as per section 250D of the Corporations Act. Such notice must be signed as required by section 127 of the Corporations Act or the Body Corporate's Constitution.

If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll.

The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

**Note:** If you wish to appoint a second proxy, you may copy this form but you must return both forms together.

**VOTING ON BUSINESS OF MEETING**

A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the number of votes that the proxy may exercise by writing the number of Shares next to the box marked for the relevant item of business.

Where a box is not marked the proxy may vote as they choose subject to the relevant laws.

Where more than one box is marked on an item the vote will be invalid on that item.

**SIGNING INSTRUCTIONS**

- **Individual**: Where the holding is in one name, the Shareholder must sign.
- **Joint holding**: Where the holding is in more than one name, all of the Shareholders should sign.
- **Power of attorney**: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- **Companies**: Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

**ATTENDING THE MEETING**

Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

**LODGEMENT OF VOTES**

To be effective, a validly appointed proxy must be received by the Company **not less than 48 hours** prior to commencement of the Meeting.

Proxy appointments can be lodged by:

a) **Hand Delivery –** Suite 5, 62 Ord Street West Perth, WA, 6005**;** or
b) **Post** - to Suite 5, 62 Ord Street West Perth, WA, 6005; or
c) **Facsimile** - to the Company on facsimile number +61 8 9322 5230

**Proxy Forms received later than this time will be invalid**