



4 March 2016

Australian Securities Exchange (**ASX**)
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

NOTICE OF MEETING AND PROPOSED BOARD APPOINTMENT

Blaze International Limited (**Blaze**) (**Company**) (ASX: **BLZ**) is pleased to advise that it has today dispatched a Notice of Meeting to shareholders, dated 4 March 2016 (**Notice**).

Shareholders of the Company will meet 1 April 2016 at Suite 9, 330 Churchill Avenue Subiaco WA 6008 to consider the resolutions of the Notice.

The Notice includes a resolution proposing the appointment of Mr. Darren Patterson as an Executive Director of the Company.

Mr. Patterson's biography is as follows:

Mr Patterson has more than 20 years' experience working with both start-up and blue-chip technology companies spanning Australia, Europe, US and Asia. As a leading senior executive, his experience includes telecoms, IT, digital media and venture capital. Mr Patterson's international experience has seen him hold senior business development roles with Yahoo, ECI Telecom, Energis Communications/Cable and Wireless PLC and Cisco Systems. He is an investor in technology ventures Republic Capital Management, Firstwave Cloud Technology, Lumific and Datasift where he secured investment from US venture funds. Most recently he was the CEO and Co-Founder of Australia's only regulated property investment platform, BrickX. Mr Patterson holds an MBA from the University of Chicago, Booth School of Business and a Bachelor of Computer Science from the University of Technology, Sydney and is a member of the Australian Institute of Directors.

See the explanatory memorandum of the Notice for further information regarding Mr. Patterson's proposed appointment.

The Company wishes to advise that it has, subject to shareholder approval, resolved to elect to transfer Colour Minerals Pty Limited and other, less material, Company assets to Kalgoorlie Mine Management Pty Limited (**KMM**) in settlement of KMM's Management Agreement with Blaze (as described in the announcement made 4 December 2015 "Corporate Updates") (**Disposal of Assets**).

An Independent Expert's Report is included in the Notice deeming the Disposal of Assets both fair and reasonable to shareholders of the Company.

The Notice also considers the issue of up to 25 million options; these options are exercisable into fully paid ordinary shares of the Company at \$0.08 each before, or on, 1 March 2019. Of these 25 million options, 11 million are proposed to be issued to Mr. Patterson (a proposed Director of the Company) and 2 million are proposed to be issued to Mr. Puckridge (the Company's Non-Executive Chairman). See the explanatory memorandum of the Notice for further details.

Please find enclosed to this announcement the Notice dispatched to shareholders today.

For, and on behalf of, the Board of the Company,

A handwritten signature in black ink, appearing to read "Josh Puckridge". The signature is written in a cursive style with a large, stylized initial "JP".

Josh Puckridge

Non-Executive Chairman

Blaze International Limited

4 March 2016

BLAZE INTERNATIONAL LIMITED

ACN 074 728 019

NOTICE OF GENERAL MEETING

TIME: 9:00 AM (WST)

DATE: 1 April 2016

PLACE: Suite 9, 330 Churchill Avenue
Subiaco WA 6008

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6489 1600.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 9:00 AM (WST) on 1 April 2016 at:
Suite 9, 330 Churchill Avenue, Subiaco WA 6008

Your vote is important

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

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 9:00 AM (WST) on 30 March 2016.

Voting in person

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

Voting by proxy

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

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

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

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

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

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

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

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (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 (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

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

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

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

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – DISPOSAL OF ASSETS

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

“That, for the purposes of ASX Listing Rules 10.1 and 11.2 and for all other purposes, approval is given for the Company to complete the Disposal on the terms and conditions set out in the Explanatory Statement.”

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

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders. The Independent Expert has determined the Disposal is fair and reasonable to the non-associated Shareholders.

2. RESOLUTION 2 – PLACEMENT – OPTIONS

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 12,000,000 Options on the terms and conditions set out in the Explanatory Statement.”

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

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – SHARES

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 13,069,032 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company

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

4. RESOLUTION 4 – ELECTION OF DIRECTOR – JOSH PUCKRIDGE

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

“That, for the purpose of clause 3.3 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Josh Puckridge, a Director who was appointed casually on 4 December 2015, retires, and being eligible, is elected as a Director.”

5. RESOLUTION 5 – ELECTION OF DIRECTOR – DARREN PATTERSON

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

“That, for the purpose of clause 3.4 of the Constitution, and for all other purposes, Mr Darren Patterson who, being eligible and having consented to act, be elected as a director of the Company.”

6. RESOLUTION 6 – ISSUE OF OPTIONS TO RELATED PARTY – JOSH PUCKRIDGE

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 2,000,000 Options to Mr Josh Puckridge (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr Josh Puckridge (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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:

- (a) the proxy is the Chair; and

- (b) 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 – ISSUE OF OPTIONS TO RELATED PARTY – DARREN PATTERSON

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 11,000,000 Options to Mr Darren Patterson (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr Darren Patterson (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

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

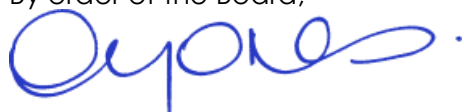
- (a) the proxy is either:
- (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) 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.

Dated: 4 March 2016

By order of the Board,



Ms. Loren Jones
Non-Executive Director and Company Secretary

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. BACKGROUND TO PROPOSED TRANSACTION

1.1 General

The principal activity of the Company is the exploration and development of the Barkley Copper-Gold Project in the Northern Territory. The Company is in a farm-in joint venture agreement with Meteoric Resources NL (**Barkley JV**) over the Barkley Copper-Gold Project, incorporating exploration tenement EL 28620 (**JV Tenement**). The Company's 70% interest in the JV Tenement is held through Colour Minerals Pty Ltd (ACN 130 340 457), a wholly owned subsidiary of the Company (**Colour Minerals**). The Company's interest in the JV Tenement is its main undertaking.

The Company is currently seeking opportunities and investments in the industrial and technology sectors in addition to the resources sector.

The Company has raised additional capital to reduce debt, increase general working capital and seek out new acquisitions. These capital raisings were announced to the market on 4 December 2015 and 27 January 2016. The Company raised \$3,322,761.28 (combined from the two placements, before costs), refer to Resolution 3 and its associated explanatory memorandum.

1.2 Disposal of Assets

As announced on 4 December 2015, the Company and Kalgoorlie Mine Management Pty Ltd (ACN 009 235 625) (**KMM**) have entered into a deed of termination and release (**Deed**) relating to the management agreement dated 17 November 2009 and its subsequent variation dated 10 October 2012 (**Management Agreement**), pursuant to which the Company may elect to dispose of all of its shares in Power Resources Ltd (ACN 125 345 502) and Colour Minerals on the terms set out below (**Disposal**).

The material terms of the Deed are as follows:

- (a) (**Termination**): the Company and KMM agreed that the Management Agreement is terminated from 4 December 2015 in consideration for the payment of a settlement sum of \$466,379.00 by the Company to KMM by 4 April 2016 (**Settlement Sum**);
- (b) (**Settlement Sum**): the Company may elect to satisfy the Settlement Sum:
 - (i) by payment in cash of the Settlement Sum; or
 - (ii) by:
 - (A) the transfer to KMM of 100% of the shares held by the Company in Power Resources and Colour Minerals; and
 - (B) the assignment to KMM of an intercompany loan owed by Colour Minerals to the Company which, as at 4 December 2015, totalled \$755,737.57; and

- (C) the transfer to KMM of two term deposits (\$5,968 and \$13,487) with Westpac Banking Corporation which are in the name of the Company and held as security for the performance bond in favour of the Minister for Mines and Energy in respect of the JV Tenement.
- (c) **(Conduct prior to satisfaction of Settlement Sum):** Prior to satisfaction of the Settlement Sum, the Company has agreed that:
- (i) it will not dispose of all or part of its shareholding in Colour Minerals or its interest in the JV Tenement;
 - (ii) it will cause Colour Minerals to retain its interest in the JV Tenement and maintain the JV Tenement in good standing; and
 - (iii) it will ensure that Colour Minerals has sufficient funds to pay all of its debts and expenses.
- (d) **(Indemnity):** the Company has agreed to release and discharge KMM from and indemnify KMM against all actions, claims and liability which the Company might have had against KMM under the Management Agreement.
- (e) **(Subscription for Shares):** KMM has the right to subscribe for up to 5,000,000 Shares at an issue price of \$0.04 each at any time from 4 December 2015 to 4 April 2016.

2. RESOLUTION 1 – DISPOSAL OF ASSETS

2.1 General

As outlined in Section 1.2, the Company has entered into the Deed in relation to the Disposal.

Pursuant to ASX Listing Rule 10.1, for the Company to complete the Disposal to a substantial holder Shareholder approval must be obtained.

Pursuant to ASX Listing Rule 11.2, for the Company to complete the Disposal of its main undertaking Shareholder approval must be obtained.

Resolution 1 seeks these Shareholder approvals.

2.2 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a related party of the entity, a substantial holder or one of its associates, without the prior approval of holders of the entity's ordinary shareholders.

Substantial asset

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the financial year ending 30 June 2015) were - \$296,510.

As the value of the Disposal is more than 5% of the equity interests of the Company, the Disposal will result in the disposal of a substantial asset to a substantial holder of the Company.

Substantial shareholder

For the purposes of ASX Listing Rule 10.1, a substantial shareholder is a person who has a relevant interest (either directly or through its associates), or had at any time in the 6 months before the transaction, in at least 10% of the total votes attaching to the voting securities.

KMM, by virtue of its relevant interest in 14.93% of the voting shares of the Company is a substantial holder of the Company for the purposes of ASX Listing Rule 10.1.

Requirement for shareholder approval

As a result of the above conclusions, the completion of the Disposal will result in the disposal of a substantial asset to a substantial holder of the Company and the Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

2.3 Independent Expert's Report

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report set out in **Error! Reference source not found.** sets out a detailed independent examination of the Disposal to enable non-associated Shareholders to assess the merits and decide whether to approve the Disposal.

To the extent that it is appropriate, the Independent Expert's Report enclosed with this Notice of Meeting sets out further information with respect to the Disposal and concludes that it is both fair and reasonable to the non-associated Shareholders.

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

2.4 ASX Listing Rule 11.2

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders.

2.5 Indicative Timetable

Subject to ASX Listing Rules and Corporations Act requirements, the Company anticipates completion of the Disposal will be in accordance with the following timetable:

Event	Date
ASX announcement of Disposal	4 December 2015
Meeting to approve Disposal	1 April 2016
Settlement of Disposal	1 April 2016

2.6 Financial effect of the Disposal on the Company

The impact of the Disposal on the Company's balance sheet is set out in the pro forma balance sheet contained in Schedule 2.

There will be no impact on the capital structure of the Company.

2.7 Reasons for and against the Disposal

Advantages

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

- (a) the Company will not have the operational costs or contingent liabilities associated with the JV Tenement following settlement of the Deed, in particular, any rehabilitation obligations;
- (b) the Company will be released from all claims under the Management Agreement;
- (c) the Company has the ability to complete the proposed Disposal without any rehabilitation cost; and
- (d) the proposed Disposal facilitates the Company to settle the termination of the Management Agreement without the requirement to make a cash payment.

Disadvantages

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

- (a) the Company will not be able to participate in or derive any future potential profits from the JV Tenement;
- (b) the proposed Disposal involves the Company selling its principal operating business activities. However, the Board is actively investigating other opportunities and will provide Shareholders with further information when an appropriate transaction is identified;
- (c) there is a risk the Company may not be able to locate and acquire other suitable investment opportunities; and

- (d) the Company will be changing the scale of its activities by a significant extent, which may not be consistent with the investment objectives of all Shareholders.

2.8 Future activities and direction post Disposal

After completion of the Disposal, the Company will pursue other opportunities which have the potential to create Shareholder wealth.

ASX customarily allows listed entities a period of up to 6 months to allow it to identify and make an announcement of its intention to acquire a suitable new business. If the Company is unable to announce such an intention within this timeframe ASX will generally exercise its discretion to suspend the quotation of the Company's securities at the end of that 6 month period. The suspension would continue until the Company makes an announcement about its future activities which is acceptable to ASX. It is expected this 6 month period will commence from the time the Company disposes of its interest in the JV Tenement.

In the event Shareholder approval is not obtained and completion of the Disposal is unable to occur the Company intends to initiate processes to further reduce operational costs and pursue more favourable terms with another party. It is noted that any further operational cost reduction may adversely affect the ability of the Company to sell the JV Tenement and potentially reduce the value of sale terms.

In the event Shareholder approval is obtained but the Company does not elect to settle the Settlement Sum by the Disposal the Company intends to seek alternative options to divest the JV Tenement.

2.9 Director interests and recommendations

The Directors do not have any material interest in the outcome of the Resolution other than as a result of their interest arising solely in the capacity as Shareholders.

The Directors have a relevant interest in the securities of the Company as set out in the following table:

Director	Shares
Robert Collins	Nil
Loren Jones	Nil
Josh Puckridge	Nil

The Board has approved the proposal to put the Resolution to Shareholders.

Each of the Directors intends to vote all of their Shares in favour of the Resolution.

Based on the information available, all of the Directors consider that the proposed Disposal is in the best interests of the Company and recommend that the Shareholders vote in favour of the Resolution.

3. RESOLUTION 2 – PLACEMENT – OPTIONS

3.1 General

Resolution 2 seeks Shareholder approval for the issue of up to 12,000,000 Options to Cicero Advisory Services Pty Limited (**Cicero Advisory**) (or its nominees) at an issue price of \$0.0001 per Option to raise up to \$1,200 (**Option Placement**).

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

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

3.2 Technical information required by ASX Listing Rule 7.1

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

- (a) the maximum number of Options to be issued is 12,000,000;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (c) the issue price will be \$0.0001 per Option in cash consideration and for the purposes of incentivising Cicero Advisory in the Company's ongoing business development activities;
- (d) the Options will be issued to nominees of Cicero Advisory, none of whom are related parties of the Company;
- (e) the Options will be issued on the terms and conditions set out in Schedule 1; and
- (f) the funds raised from this issue will be used for general working capital.

4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – SHARES

4.1 General

On 27 January 2016, the Company issued 53,000,000 Shares at an issue price of \$0.04 per Share to raise \$2,120,000 (**Placement**). Of the Placement issue, 9,300,000 Shares were issued under the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1 and 3,769,032 Shares were issued in accordance with ASX Listing Rule 7.1A.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

A summary of ASX Listing Rule 7.1 is set out in section 3.1 above.

ASX Listing Rule 7.1A provides that in addition to issues permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue during the period the approval is valid a number of equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in ASX Listing Rule 7.1A.

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

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% and the 10% placement capacities set out in ASX Listing Rule 7.1 and ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

4.2 Technical information required by ASX Listing Rule 7.4

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

- (a) 13,069,032 Shares were issued;
- (b) the issue price was \$0.04 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to sophisticated investors. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue were used for general working capital and to seek out new acquisitions.

5. RESOLUTION 4 – ELECTION OF DIRECTOR – JOSH PUCKRIDGE

Clause 3.3 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 3.3 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Josh Puckridge, having been appointed on 4 December 2015 will retire in accordance with clause 3.3 of the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

Mr Puckridge's biography is as follows:

Mr. Puckridge has robust experience within funds management, corporate finance, mergers and acquisitions.

Mr. Puckridge was formerly an executive Director of Discovery Resources Limited (ASX: DIS) now Aquis Entertainment Limited (ASX: AQS). Mr. Puckridge is a Non-Executive Director of TopTung Limited (ASX: TTW) (formerly Krucible Metals Limited), Alcidion Group Limited (ASX: ALC) (formerly Naracoota Resources Limited) and MCS Services Limited (formerly Red Gum Resources Limited). Mr. Puckridge was a founding Director and Secretary of Windward Resources Limited (ASX: WIN), a significant explorer of Western Australia's Fraser Range region. Currently, Mr. Puckridge is the proposed Executive Chairman of Fraser Range Metals Group Limited (ASX: FRN) as part of a prospectus to raise new funds and see the company re-admit to quotation on ASX and begin exploration on its Fraser Range project.

Mr. Puckridge works from the offices of Cicero Advisory and contracts to Cicero Advisory on an ad-hoc basis; he is not a beneficiary or officer of Cicero Advisory.

Mr. Puckridge has also accepted the role of Chairman of the Board of Directors of the Company.

6. RESOLUTION 5 – ELECTION OF DIRECTOR – DARREN PATTERSON

Clause 3.4 of the Constitution allows the Company to appoint Directors by ordinary resolution provided that the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Resolution 5 seeks Shareholder approval for the appointment of Darren Patterson as a Director effective upon the passing of this resolution. Mr. Patterson will take on the role of Executive Director for the purposes of the Company's Business Development activities. Mr. Patterson will be paid \$5,000.00 (all inclusive) per month by the Company for his executive services where the Company, or Mr. Patterson, may elect to cease the provision of Mr. Patterson's executive services by providing one (1) month's written notice.

Mr. Patterson's biography is as follows:

Mr. Patterson has more than 20 years' experience working with both start-up and blue-chip technology companies spanning Australia, Europe, US and Asia. As a leading senior executive, his experience includes telecoms, IT, digital media and venture capital. Mr. Patterson's international experience has seen him hold senior business development roles with Yahoo, ECI Telecom, Energis Communications/Cable and Wireless PLC and Cisco Systems. He is an investor in technology ventures Republic Capital Management, Firstwave Cloud Technology, Lumific and Datasift where he secured investment from US venture funds. Most recently he was the CEO and Co-Founder of Australia's only regulated property investment platform, BrickX. Mr. Patterson holds an MBA from the University of Chicago, Booth School of Business and a Bachelor of Computer Science from the University of Technology, Sydney and is a member of the Australian Institute of Directors.

7. RESOLUTIONS 6 AND 7 – ISSUE OF OPTIONS TO RELATED PARTIES

7.1 General

On 4 December 2015, the Company announced the appointment of Mr Puckridge as a Non-Executive Director of the Company. Pursuant to Resolution 4, the Company is seeking Shareholder approval for the appointment of Darren Patterson as Executive Director of the Company.

The Company has agreed, subject to obtaining Shareholder approval, to issue 13,000,000 Options to Mr Josh Puckridge and Mr Darren Patterson (or their nominees) (**Related Party Option Holders**) on the terms and conditions set out below (**Related Party Options**).

Resolution 6 seeks Shareholder approval for the grant of 2,000,000 of the Related Party Options to Mr Josh Puckridge (or his nominee).

Resolution 7 seeks Shareholder approval for the grant of 11,000,000 of the Related Party Options to Mr Darren Patterson (or his nominee).

7.2 Chapter 2E of the Corporations Act

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

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

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

The grant of Related Party Options constitutes giving a financial benefit and the Related Party Option Holders are related parties of the Company by virtue of being Directors.

The Directors (other than Mr Puckridge who has a material personal interest in Resolution 6 and Mr Patterson who has a material personal interest in Resolution 7) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Related Party Options because the agreement to grant the Related Party Options, reached as part of the remuneration packages for Messrs Puckridge and Patterson, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

7.3 ASX Listing Rule 10.11

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

As the grant of the Related Party Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the

exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

7.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 6 and 7:

- (a) the Related Party Options will be granted to Messrs Puckridge and Patterson (or their nominees);
- (b) the number of Related Party Options to be issued is:
 - (i) 2,000,000 to Mr Puckridge; and
 - (ii) 11,000,000 to Mr Patterson;
- (c) the Related Party Options will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (d) the Related Party Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the terms and conditions of the Related Party Options are set out in Schedule 1.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Related Party Options to the Related Party Option Holders will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities & Investments Commission.

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

ASX Listing Rules means the Listing Rules of ASX.

Barkley JV means the joint venture between the Company and Meteoric Resources NL over the Barkley Copper-Gold Project.

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.

Cicero Advisory means Cicero Advisory Services Pty Limited (ACN 166 321 393).

Colour Minerals means Colour Minerals Pty Ltd (ACN 130 340 457).

Company means Blaze International Limited (ACN 074 728 019).

Constitution means the Company's constitution.

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

Deed means the deed of termination and release relating to the Management Agreement entered into by the Company and KMM dated 4 December 2015.

Directors means the current directors of the Company.

Disposal has the meaning given in section 1.2.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

JV Tenement means exploration licence EL 28620 situated in the Northern Territory, the subject of the Barkley Copper-Gold Project.

KMM means Kalgoorlie Mine Management Pty Ltd (ACN 009 235 625).

Management Agreement means the management agreement between the Company and KMM dated 17 November 2009 and its subsequent variation dated 10 October 2012.

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

Option means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Optionholder means a holder of an Option.

Power Resources means Power Resources Ltd (ACN 125 345 502).

Proxy Form means the proxy form accompanying the Notice.

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

Settlement Sum means the amount of \$466,379.00 owed to KMM by the Company under the Deed.

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

Shareholder means a registered holder of a Share.

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

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.08 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 1 March 2019 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

Within 15 Business Days after the Exercise Date, the Company will:

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

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being

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

(h) **Shares issued on exercise**

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

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

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

(j) **Reconstruction of capital**

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

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

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

(m) **Unquoted**

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

(n) **Transferability**

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

SCHEDULE 2 – PRO FORMA BALANCE SHEET

	CONSOLIDATED		
	BLAZE UNAUDITED 31 Dec 2015	ADJUSTMENTS	PRO-FORMA UNAUDITED 31 Dec 2015
CURRENT ASSETS			
Cash and cash equivalents ^{1,4}	226,572	(18,255)	208,317
Other current assets	77,597	-	77,597
TOTAL CURRENT ASSETS	304,169	(18,255)	285,914
NON-CURRENT ASSETS			
Shares in Power Resources ²	4,050	(4,050)	-
Capitalised Exploration Expenditure ³	693,207	(693,207)	-
Intercompany Loan ⁴	-	-	-
TOTAL NON-CURRENT ASSETS	697,257	(697,257)	-
TOTAL ASSETS	1,001,425	(715,512)	285,914
CURRENT LIABILITIES			
Trade and other payables	23,132	-	23,132
Accruals	62,339		62,339
Intercompany Loan ⁴	-	-	-
TOTAL CURRENT LIABILITIES	85,471	-	85,471
TOTAL LIABILITIES	85,471	-	85,471
NET ASSETS (LIABILITIES)	915,954	(715,512)	200,443
EQUITY			
Issued capital	34,420,127	-	34,420,127
Performance Shares	(108,422)		(108,422)
Reserves ^{5,6}	-	266,593	266,593
Accumulated losses ^{1,2,3,6}	(33,395,751)	(982,104)	(34,377,855)
TOTAL EQUITY	915,954	(715,512)	200,443

Notes:

The pro-forma balance sheets have been included for illustrative purposes to include the following notes and assumptions:

- the transfer to KMM of two term deposits totalling \$19,455 (refer to Section 1.2(b)(ii)(C) of the Explanatory Statement for further details).
- the transfer to KMM of 100% of the shares held by the Company in Power Resources and Colour Minerals (refer to Section 1.2(a)(ii) of the Explanatory Statement for further details).

3. the transfer to KMM of 100% of the Capitalised Exploration Expenditure held by the Company in Colour Minerals (refer to Section 1.2(a)(ii) of the Explanatory Statement for further details).
4. the assignment to KMM of an Intercompany Loan owed by Colour Minerals to the Company which, as at 31 December 2015, totalled \$758,426 (refer to Section 1.2(b)(ii)(B) for further details).
5. The issue of 12,000,000 Options issued as per the Option Placement (for further details of the Option Placement refer to Section 3).
6. the issue of 13,000,000 Options to the Related Party Option Holders (for further details of the Related Party Options refer to Section 7).

PROXY FORM

BLAZE INTERNATIONAL LIMITED
ACN 074 728 019

GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our 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 Meeting to be held at 9:00 AM (WST), on 1 April 2016 at Suite 9, 330 Churchill Avenue, Subiaco WA 6008, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Disposal of Assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Placement – Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of prior issue – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Director – Josh Puckridge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Election of Director – Darren Patterson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Options to related party – Josh Puckridge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Options to related party – Darren Patterson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail in
relation to this Proxy Form:

YES NO

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Blaze International Limited, Suite 9, 330 Churchill Avenue, Subiaco, Western Australia; or
 - (b) facsimile to the Company on facsimile number +61 8 6489 1601; or
 - (c) email to the Company at blaze@blazelimited.com.au,

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

Proxy Forms received later than this time will be invalid.



BLAZE INTERNATIONAL LIMITED
Independent Expert's Report

BDO has concluded that the Transaction is
fair and reasonable

29 February 2016



Financial Services Guide

29 February 2016

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Blaze International Limited to provide an independent expert's report on the proposal to dispose of assets held by the Company in consideration for the termination of the Facilities and Management Agreement in place with Kalgoorlie Mine Management Pty Ltd. You will be provided with a copy of our report as a retail client because you are a shareholder of Blaze.

Financial Services Guide

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

This FSG includes information about:

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

Information about us

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

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

Financial services we are licensed to provide

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

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

General Financial Product Advice

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

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$18,000.

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

Remuneration or other benefits received by our employees

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

Referrals

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

Complaints resolution

Internal complaints resolution process

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

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

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

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

Contact details

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



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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by Agricola Mining Consultants Pty Ltd

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29 February 2016

The Directors
Blaze International Limited
Suite 9, 330 Churchill Avenue
Subiaco WA 6008

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 4 December 2015, Blaze International Limited ('Blaze' or 'the Company') announced that it had entered into a Deed of Termination and Release ('Deed') relating to a Facilities and Management Agreement entered into on 17 November 2009 (and subsequently varied on 10 October 2012) ('Management Agreement') with Kalgoorlie Mine Management Pty Ltd ('KMM'). The effect of the Deed was to terminate the Management Agreement as at 4 December 2015.

As agreed under the Deed, as consideration for the termination, Blaze can elect to either:

- a) Pay KMM the sum of \$466,379 ('Cash Consideration Alternative'); or
- b) Transfer the following assets to KMM (or its nominees):
 - i. 100% of Colour Minerals Pty Ltd ('Colour Minerals') (which holds rights and title to the Barkly Copper-Gold Project ('Barkly Project'));
 - ii. The assignment to KMM of the intercompany loan owed by Colour Minerals to Blaze;
 - iii. The transfer of 450,000 Power Resources Limited (PWW') shares; and
 - iv. The transfer of two bank deposits totalling \$19,455 held as security by the Northern Territory Department of Mines in relation to the Barkly Project.

(together referred to as the 'Asset Consideration Alternative'). Blaze has a four month period, from the date of the Deed, to satisfy one of the payment options to KMM.

On 8 December 2015, Blaze announced it had elected the Asset Consideration Alternative to satisfy the consideration payable to KMM for termination of the Management Agreement.

We understand that the Company's election of the Asset Consideration Alternative is subject to the non-associated shareholders of Blaze ('Shareholders') approval which is to be sought under Australian Securities Exchange ('ASX') Listing Rule 10.1 as KMM is a substantial shareholder of Blaze and the potential value of the assets to be disposed are considered to be greater than 5% of the equity interest of the Company.

2. Summary and Opinion

2.1 Purpose of the report

The directors of Blaze have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the transfer of assets in consideration for the termination of the Management Agreement ('the Transaction') is fair and reasonable to the Shareholders of Blaze.

Our Report is prepared pursuant to ASX Listing Rule 10.1 and is to be included in the Notice of Meeting for Blaze in order to assist Shareholders in their decision whether to approve the Transaction.

2.2 Approach

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

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

- How the value of the Asset Consideration Alternative compares to the present value of the obligation remaining under the Management Agreement;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

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

2.4 Fairness

In Section 11 we determined that the Asset Consideration Alternative compares to the present value of the obligation remaining under the Management Agreement, as detailed below.

	Ref	Low value \$	Preferred value \$	High value \$
Value of the Asset Consideration Alternative	9	151,305	158,305	158,305
Value of the obligations under the Management Agreement	10	443,666	443,666	443,666

Source: BDO analysis

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

2.5 Reasonableness

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

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

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

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
12.3	The Transaction is fair	12.4	The Company will no longer hold any exploration assets
12.3	The Company retains cash to use for other purposes		
12.3	The Company can focus its attention solely on new opportunities to create Shareholder value		

Other key matters we have considered include:

Section	Description
12.1	Alternative proposals
12.2	Practical level of control

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts. Based on the audited accounts as at 30 June 2015, Blaze was in a net liability position. Therefore, we consider that the assets proposed to be disposed of under the terms of the Transaction are greater than the 5% equity interest of Blaze as at 30 June 2015.

ASX Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity. KMM is considered a substantial shareholder, holding approximately 14.93% of the share capital of Blaze prior to the Transaction.

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

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

3.2 Regulatory guidance

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

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

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

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. In the case of Blaze the assets included in the Asset Consideration Alternative are the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in Section 3.2 we do not consider that the Transaction is a control transaction. As such, we have not included a premium for control when considering the value of the assets potentially disposed of under the terms of the Transaction.

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

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

- A comparison between value of the Asset Consideration Alternative and the present value of the obligation remaining under the Management Agreement (fairness - see Section 11 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Transaction, after reference to the value derived above (reasonableness - see Section 12 'Is the Transaction Reasonable?').

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

A Valuation Engagement is defined by APES 225 as follows:

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

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

4. Outline of the Transaction

On 17 November 2009, Blaze and KMM entered into the Management Agreement which sets out the terms and conditions in which KMM is employed to carry out management, administrative, geological and secretarial and other duties for the Company. Under the terms of the Management Agreement, the minimum annual management fee payable to KMM was \$235,000 plus GST (with annual reviews allowing for price increases based on a Consumer Price Index calculation). The Management Agreement was for an initial term of five years.

On 10 October 2012, Blaze and KMM signed a Deed of Variation to the Management Agreement, whereby it was agreed to extend the term of the Management Agreement for a further three years to 17 November 2017. The annual management fee payable to KMM at this time had increased to \$249,069 plus GST.

On 4 December 2015, Blaze and KMM entered into the Deed relating to the termination and release of the Management Agreement. As consideration for the termination under the Deed, Blaze can elect to either:

- a) Pay KMM the sum of \$466,379 under the Cash Consideration Alternative; or
- b) Elect the Asset Consideration Alternative and transfer the following assets to KMM (or its nominees):
 - i. 100% of Colour Minerals (which holds the rights and title to the Barkly Project);
 - ii. The assignment to KMM of the intercompany loan owed by Colour Minerals to Blaze;
 - iii. The transfer of 450,000 PWW shares; and
 - iv. The transfer of two bank deposits totalling \$19,455 held as security by the Northern Territory Department of Mines in relation to the Barkly Project.

On 8 December 2015, Blaze announced it has elected the Asset Consideration Alternative to satisfy the consideration payable for termination of the Management Agreement. Blaze has a four month period, from the date of the Deed, to satisfy payment to KMM.

We have been advised that the Cash Consideration Alternative is not subject to Shareholder approval under ASX Listing Rule 10.1 on the basis that it is a contractual obligation that is required to be paid by Blaze.

The key items that Blaze will transfer to KMM are as follows:

- Blaze's 100% owned subsidiary, Colour Minerals, which holds the rights and title to the Barkly Project. The Barkly Project is located in the Northern Territory and Blaze is in a Farm-In Joint

Venture Agreement ('JV Agreement') in which it has earned a 70% interest (with an ability to earn up to a maximum of 80%);

- The intercompany loan owed by Colour Minerals to Blaze, which as at the date of the Deed, totals \$755,738;
- 450,000 shares that Blaze owns in PWW. PWW is an ASX listed exploration company which operates the Linden (Good Hope) gold project in the Eastern Goldfields of Western Australia; and
- Two bank deposits totalling \$19,455. These deposits are held as security by the Northern Territory Department of Mines in relation to the Barkley Project.

5. Profile of Blaze International Limited

5.1 History

Blaze is headquartered in Perth, Western Australia and listed on the ASX on 2 September 1996. It is an exploration company whose primary focus has been on the exploration and development of the Barkly Project in the Northern Territory. However, at the Company's Annual General Meeting held in November 2015, the Company received shareholder approval to explore potential opportunities in other non-resource sectors of the market.

The current board of directors and senior management are:

- Mr Josh Russell Puckridge, Non-Executive Director;
- Mr Robert John Collins, Non-Executive Director; and
- Ms Loren Jones, Non-Executive Director and Company Secretary.

Barkly Project

The Barkly Project is located in the eastern part of the Tennant Creek Mineral Field in the Northern Territory and comprises one granted exploration licence, being EL28620. Blaze entered into the JV Agreement with Meteoric Resources NL ('Meteoric') to earn up to an 80% interest in the project on 2 September 2013.

Under the JV Agreement, Blaze has the right to earn a 50% interest through exploration expenditure of \$250,000 before March 2015, an additional 20% through further exploration expenditure of \$350,000 by March 2017, and a further 10% if it elects to sole fund all expenditure up to the commencement of a Bankable Feasibility Study.

On 4 May 2015, Blaze's interest in the joint venture increased to 70% and Blaze advised Meteoric that it elected to sole fund all joint venture expenditure up to the commencement of a Bankable Feasibility Study in order to earn a further 10% interest.

Key Funding Events

On 5 September 2014, the Company entered into a Convertible Note Trust Deed with CPS Capital Group Pty Ltd to raise \$1.25 million. The convertible note has a face value of \$0.0008 and a maturity date of six months from the date of issue. Interest accrues at 20% per annum and the notes are convertible at the election of the holder into ordinary shares on a one for one basis. As at 30 June 2015, an amount of \$440,000 has been drawn down.

On 24 February 2015, the Company issued 15 million shares at \$0.001 per share to S3 Consortium Pty Ltd as consideration for consultancy services provided the Company.

On 7 September 2015, the Company issued 1.76 million shares at \$0.0337 per share and 12.63 million shares at \$0.0302 per share through a share placement to clients of Cicero Advisory Services Pty Ltd raising a total of \$440,360.

On 4 December 2015, the Company issued 30.07 million shares at \$0.04 to sophisticated investors, raising \$1.20 million. The funds are to provide additional working capital and to seek out new acquisition opportunities.

On 20 January 2016, the Company announced the placement of 38 million shares at \$0.04 to sophisticated investors, to raise \$1.52 million. The funds are to provide additional working capital and to seek out new acquisition opportunities.

5.2 Historical Financial Information

Statement of Financial Position	Audited as at 30-Jun-15 \$	Audited as at 30-Jun-14 \$	Audited as at 30-Jun-13 \$
CURRENT ASSETS			
Cash and cash equivalents	31,116	114,486	379,064
Trade and other receivables	46,614	18,274	57,832
Other current assets	-	-	248
TOTAL CURRENT ASSETS	77,730	132,760	437,144
NON-CURRENT ASSETS			
Available-for-sale financial assets	4,050	3,150	4,500
Deferred exploration expenditure	602,013	159,789	123,104
TOTAL NON-CURRENT ASSETS	606,063	162,939	127,604
TOTAL ASSETS	683,793	295,699	564,748
CURRENT LIABILITIES			
Trade and other payables	487,654	126,696	75,152
Borrowings	492,649	-	-
TOTAL CURRENT LIABILITIES	980,303	126,696	75,152
TOTAL LIABILITIES	980,303	126,696	75,152
NET ASSETS	(296,510)	169,003	489,596
EQUITY			
Issued capital	32,777,006	32,505,142	32,071,040
Reserves	900	-	1,924,701
Accumulated losses	(33,074,416)	(32,336,139)	(33,506,145)
TOTAL EQUITY	(296,510)	169,003	489,596

Source: Audited financial statements for the year ended 30 June 2013, 30 June 2014 and 30 June 2015.

Commentary on Historical Statements of Financial Position

We note the following in relation to Blaze's statement of financial position:

- For the year ended 30 June 2015, the audit report in the financial statements included an emphasis of matter regarding the Company's ability to continue operating as a going concern. The Directors acknowledge that the ability of the Company to continue as a going concern will be dependent upon additional funding through an equity capital raising, sale of assets or further drawdown under the Convertible Note Trust Deed. These conditions, along with other matters, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.
- Cash and cash equivalents comprise cash at bank and short-term bank deposits. The decrease from \$379,064 as at 30 June 2013 to \$31,116 as at 30 June 2015 is attributable to an increase in exploration expenditure incurred over the period on the Barkley Project.
- Trade and other receivables comprise a tax asset for Blaze of \$45,619 and a tax asset for Colour Minerals of \$466.
- Available-for-sale assets relate to 450,000 shares held in PWW. The closing share price of PWW as at 30 June 2015 was \$0.009, an increase from \$0.007 as at 30 June 2014.
- Deferred exploration expenditure relates to work carried out at the Barkly Project.
- Borrowings of \$492,649 as at 30 June 2015 relate to an unsecured convertible loan note agreement entered into on 5 September 2014. This amount includes interest accrued on any amounts drawn down.
- Trade and other payables are largely attributable to Management Agreement invoices for the months September 2014 to June 2015 (inclusive) issued by KMM for management fees and reimbursable expenses.

Statement of Comprehensive Income	Audited for the year ended 30-Jun-15	Audited for the year ended 30-Jun-14	Audited for the year ended 30-Jun-13
	\$	\$	\$
Revenue	1,660	14,861	18,256
Administration expenses	(186,005)	(185,217)	(145,530)
Accounting and audit fees	(46,287)	(39,428)	(46,162)
ASX and ASIC fees	(24,629)	(19,597)	(18,479)
Consulting fees	-	(2,610)	-
Director remuneration	(85,225)	(85,087)	(122,250)
Exploration expenditure written off	(477)	(141,937)	(68,292)
Impairment of available for sale financial assets	-	(1,350)	-
Interest expense	(52,649)	-	-
Legal fees	(6,400)	(264)	(7,373)
Management fees	(257,010)	(271,374)	(339,919)
Share registry fees	(25,065)	(10,502)	(9,952)
Other expenses	(56,190)	(12,190)	(69,769)
Loss before income tax benefit	(738,277)	(754,695)	(809,470)
Income tax benefit	-	-	43,820
Net loss for the year	(738,277)	(754,695)	(765,650)
Other comprehensive income for the year	900	-	-
Total comprehensive loss for the period	(737,377)	(754,695)	(765,650)

Source: Audited financial statements for the year ended 30 June 2013, 30 June 2014 and 30 June 2015.

Commentary on Historical Statements of Comprehensive Income

We note the following in relation to Blaze's recent financial performance:

- Exploration expenditure of \$141,937 written off for the year ended 30 June 2014 relates to the relinquishment of exploration licences at the Yeelirrie Valley Uranium Project as a result of poor uranium market conditions.
- Management fees relate to amounts paid to KMM under the Management Agreement.
- Interest expenses relate to interest accrued on the Convertible Note Trust Deed entered into on 5 September 2014.

5.3 Capital Structure

The share structure of Blaze as at 19 January 2016 is outlined below:

	Number
Total ordinary shares on issue	62,000,000
Top 20 shareholders	42,427,220
Top 20 shareholders - % of shares on issue	68.43%

Source: Share registry information

The range of shares held in Blaze as at 19 January 2016 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	117	37,082	0.06%
1,001 - 5,000	266	931,603	1.50%
5,001 - 10,000	127	986,134	1.59%
10,001 - 100,000	157	5,892,249	9.50%
100,001 - and over	64	54,152,932	87.34%
TOTAL	731	62,000,000	100.00%

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 19 January 2016 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Kalgoorlie Mine Management Pty Ltd	8,859,082	14.29%
Fidelity & Security Nominees Pty Ltd	6,250,000	10.08%
Station Nominees Pty Ltd	4,000,000	6.45%
Mr Kyle Bradley Haynes	2,500,000	4.03%
Subtotal	21,609,082	34.85%
Others	40,390,918	65.15%
Total ordinary shares on Issue	62,000,000	100.00%

Source: Share registry information

6. Economic analysis

The Australian economy continued to grow over 2015, and growth is expected to be around 2% - 3% over the year to June 2016, and further increasing to 3.75% by June 2017. The rate of unemployment was 5.7% in December 2015 and is expected to remain around current levels.

Commodity prices are now around 50% below their peak in 2011 reflecting a combination of lower growth in demand and, more importantly, significant increases in supply.

Since 2009, changes in the Australian Dollar ('AUD') have reflected fluctuations in global sentiment and the decline in commodity prices alongside increased uncertainty about the outlook for China. The AUD has declined noticeably against a rising US dollar over the past year and further depreciation seems both likely and necessary, as a lower exchange rate will help to achieve balanced growth in the economy.

Low interest rates in Australia are acting to support borrowing and spending. Credit is recording moderate growth overall, with stronger borrowing by businesses and growth in lending to the housing market easing over recent months. Prices for equities and commercial property have also been supported by lower long-term interest rates.

At its most recent meeting, the Reserve Bank of Australia ('RBA') decided to leave the cash rate unchanged at 2.0%. However, it was stated that the RBA expects to increase its policy rate in the coming periods.

Overall, the economy is likely to be operating with a degree of spare capacity for some time yet. With slow growth in labour costs, inflation is forecast to remain consistent with the RBA target over the next one to two years, despite a lower exchange rate.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 1 December 2015

7. Industry analysis

7.1 Copper

Copper is a soft, malleable, ductile metal used primarily for its excellent electrical and thermal conductive properties and its resistance to corrosion. As well as electrical and electronic applications, copper is utilised extensively as an alloy.

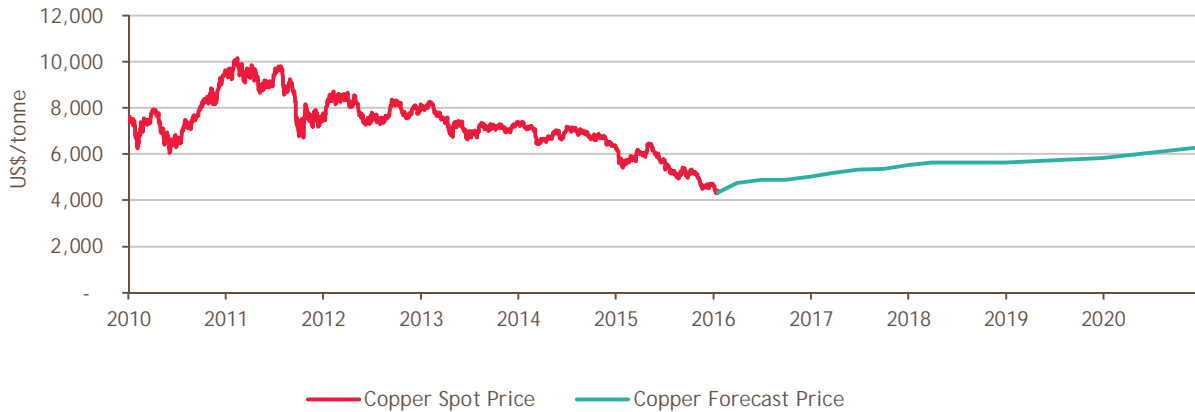
Most of the world's copper comes from South and Central America, particularly in Chile and Peru. Chile, Australia and Peru collectively account for just over 50% of global reserves of copper. Although Australia has substantive reserves of copper, in terms of production, Australia accounted for only 5% in 2014.

Production in Australia is driven by the world price of copper, the value of the US dollar to the AUD as copper contracts are typically settled in US dollars, and the level of activity in manufacturing and construction industries. In Australia exports account for approximately 90% of industry revenue, with China, India, Japan and South Korea making up a large proportion of the sales.

Copper Prices

Copper is a global commodity and, as such, prices are determined by global supply and demand factors. Historically prices have reflected global economic cycles and experienced major fluctuations reflecting equity market movements. The copper price fell from 2011 through to 2015 as a result of weaker foreign demand and large supply volumes.

London Metals Exchange Copper Price



Source: Bloomberg, Consensus Economics and BDO analysis

Outlook

Global demand for copper is closely linked to economic activity and as a result investment levels, particularly in infrastructure, largely determine demand for the commodity. Moves by the Chinese Government to reinforce and expand electricity supply will provide a substantial boost to demand and demand from Japan is expected to grow as construction and manufacturing activity increases.

Over the five years to 2020 output is forecast to increase through new firms entering the industry and existing firms ramping up production. The increase in output is expected to keep pace with rising demand and prices are forecast to be around US\$6,300/t by 2020.

7.2 Gold

Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by both mine production and gold recycling.

Demand for gold has consistently exceeded supply over the last 10 years, and the escalated level of economic and financial uncertainty during recent years has caused investors to move capital from risky assets to gold assets, which are perceived to be a good store of monetary value.

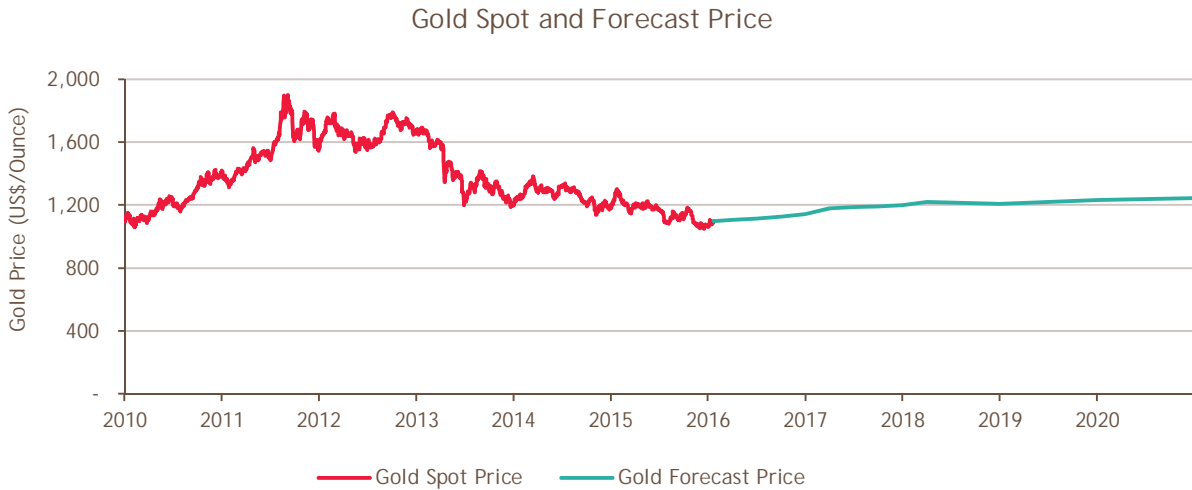
Until the late 1980's, South Africa produced approximately half of the total gold produced. More recently however, gold production has become geographically segmented, with production dominated by China, Australia and the United States.

Gold Prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. The softening of gold prices over the last two years is reflective of the recovery of global economic conditions. The value of gold peaked at US\$1,900 per ounce on September 2011. This peak was largely caused by the debt

market crisis in Europe, but it was also driven by the Standard and Poor's downgrade of the US credit rating. This sent global stock markets tumbling and a flood of investors towards safer havens such as gold.

Gold prices have declined over 2013 and 2014 as the global economy continued to strengthen and reached a low of US\$1,051 per ounce on 17 December 2015. The rate rise in the US has spurred some confidence in the market and interest-bearing assets are becoming a more attractive investment to the safe-haven, gold. The consensus is for gold prices to increase slightly over the next five years as a result of moderate supply growth and growing global demand.



Source: Bloomberg, Consensus Economics and BDO analysis

Outlook

The industry's performance is likely to reflect some global economic uncertainty and central banks in particular will continue to be substantial purchasers and holders of gold. According to Consensus Economics, gold prices are forecast to stabilise in the short to medium term, followed by a moderate increase with a long term nominal price forecast of approximately US\$1,245 per ounce by 2020.

8. Valuation approach adopted

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

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

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. A summary of each of these methodologies is outlined in Appendix 2.

RG 111.57 suggests that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111.58 further suggests that where the proposed transaction consists of an asset acquisition by the entity, it is fair if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.

Therefore, for the Transaction to be considered fair, the value of the assets being offered by Blaze under the Asset Consideration Alternative must be less than or equal to the value of the consideration that would have been paid to KMM under the Management Agreement.

In order to value of the consideration that would have been paid to KMM under the Management Agreement we have reviewed the terms of the Management Agreement and calculated the present value of the obligation remaining under the Management Agreement.

We have valued the individual assets that make up the Asset Consideration Alternative as follows:

- o The only material asset owned by Colour Minerals is the Barkly Project. In order to value the Barkly Project, we have instructed Agricola Mining Consultants Pty Ltd ('Agricola') to act as independent specialist to value Colour Minerals interest in this project in accordance with the Code for the Technical Assessment and valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 ('the Valmin Code');
- o Blaze will transfer its holding of 450,000 ordinary shares in PWW. PWW is an ASX listed company which means there is a regulated and observable market where PWW shares can be traded; and
- o The other assets that make up the Asset Consideration Alternative, being an intercompany loan within Colour Minerals and bank deposits, are cash amounts which we consider to represent their fair market value.

9. Valuation of the Asset Consideration Alternative

9.1 Valuation of the Barkly Project

We instructed Agricola to provide an independent market valuation of the Barkly Project. Agricola considered the Barkly Project to be an 'exploration project' in which cost based valuation methodologies are considered to be the most appropriate. As its preferred valuation methodology, Agricola applied the geo-factor rating method as it focusses on the future prospectivity of the area. We consider the valuation methods to be appropriate given the early stage of development for the Barkly Project.

As at the date of this Report, Blaze (through its subsidiary Colour Minerals) holds a 70% interest in the Barkly Project which can be increased to 80% if Blaze sole funds all JV expenditure until the commencement of a Bankable Feasibility Study. Therefore, the valuation of the 70% interest that is being disposed of is shown in the table below:

Blaze International Limited	Low value	Preferred value	High value
Mineral Asset Valuation	\$	\$	\$
Valuation of the Barkly Project (100% interest)	180,000	190,000	190,000
Valuation of the Barkly Project (70% interest)	126,000	133,000	133,000

Source: Independent Valuation Report prepared by Agricola and BDO analysis

The table above indicates a range of values for the Company's 70% interest in the Barkly Project between \$126,000 and \$133,000 with a preferred value of \$133,000. For further information regarding Agricola's independent valuation refer Appendix 3.

9.2 Valuation of PWW ordinary shares

Blaze will transfer its holding of 450,000 ordinary shares in PWW, which is an ASX listed exploration company. PWW has approximately 47 million ordinary shares on issue, meaning Blaze's holding represents less than 1% of PWW's current issued capital. Our review of the recent trading in PWW indicates that that PWW shares are not deeply traded and the last trade in PWW shares, which occurred on 2 November 2015, was at a price of \$0.013 for a total over 85,000 shares.

We have valued the PWW shares based on the most recent trading, being at \$0.013 per share. Therefore, the total value of Blaze's holding in PWW is \$5,850.

9.3 Valuation of other assets to be transferred

The other assets that make up the Asset Consideration Alternative include two bank deposits that are held as security by the Northern Territory Department of Mines in relation to the Barkley Project and an intercompany loan currently payable by Colour Minerals to Blaze.

The two bank deposits total \$19,455 while the effect of transferring the intercompany loan owed by Colour Minerals to KMM will have nil effect on Blaze's financial position as this loan account was used by Blaze to transfer funds to Colour Minerals for exploration expenditure on the Barkly Project.

9.4 Valuation of Asset Consideration Alternative

The valuation of the Asset Consideration Alternative is shown in the below table.

Blaze International Limited	Ref	Low value	Preferred value	High value
Valuation of Asset Consideration Alternative		\$	\$	\$
Valuation of the Barkly Project (70% interest)	9.1	126,000	133,000	133,000
Valuation of 450,000 PWW ordinary shares	9.2	5,850	5,850	5,850
Valuation of other assets to be transferred	9.3	19,455	19,455	19,455
Total		151,305	158,305	158,305

Source: BDO analysis

10. Valuation of obligations under the Management Agreement

As discussed in Section 8, for the Transaction to be considered fair, the value of the assets being offered by Blaze under the Asset Consideration Alternative must be less than or equal to the value of the consideration that would have been paid to KMM under the Management Agreement.

The key inputs used to calculate the present value of the obligations remaining under the Management Agreement are as follows:

- Termination date, being the date of the Deed, is 4 December 2015;
- The Management Agreement is due to expire on 17 November 2017; and
- Management fee payable to KMM at date of the variation of the Management Agreement is \$249,069 per annum (with annual reviews allowing for price increases based on a Consumer Price Index calculation).

Therefore, we have calculated the net present value of the obligations remaining under the Management Agreement to be \$443,666.

11. Is the Transaction fair?

The Asset Consideration Alternative compares to the present value of the obligation remaining under the Management Agreement, as detailed below.

	Ref	Low value \$	Preferred value \$	High value \$
Value of the Asset Consideration Alternative	9	151,305	158,305	158,305
Value of the obligations under the Management Agreement	10	443,666	443,666	443,666

Source: BDO analysis

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

12. Is the Transaction reasonable?

12.1 Alternative Proposal

The only alternative option available to the Company to satisfy the termination of the Management Agreement under the terms of the Deed is to elect the Cash Consideration Alternative, being a payment of \$466,379.

12.2 Practical Level of Control

If the Transaction is approved, there will be no effect on the level of control that KMM has over Blaze.

12.3 Advantages of Approving the Transaction

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

Advantage	Description
The Transaction is fair	As set out in Section 11 the Transaction is fair. RG 111 states that an offer is reasonable if it is fair.
The Company retains cash to use for other purposes	<p>If the Transaction is approved by Shareholders, the Company will be able to satisfy the consideration payable to KMM via the Asset Consideration Alternative. The only cash payable under this alternative is \$19,455, being the two bank deposits that are held as security by the Northern Territory Department of Mines in relation to the Barkly Project.</p> <p>As at 30 June 2015, the Company had \$31,116 in cash (including the bank deposits for the Barkly Project). The Company has since completed a number of capital raisings, totalling approximately \$3.16 million. A portion of these funds have been used to pay trade creditors and for to reduction the debt in the Company.</p> <p>If Shareholders approve the Transaction, the Company retains its cash (excluding for the bank deposits) which can be used for general working capital of the Company and to seek out new acquisitions consistent with the</p>

Advantage	Description
<p>The Company can focus its attention solely on new opportunities to create Shareholder value</p>	<p>objectives approved at the Annual General Meeting held in November 2015.</p> <p>If Shareholders approve the Transaction, the Company will dispose of its main undertaking, being the Barkly Project. The Company currently holds a 70% interest in the project with the option to increase this to 80% if it elects to sole fund all expenditure up to the commencement of a Bankable Feasibility Study.</p> <p>If the Barkly Project is disposed of, there will be no requirement to fund any further exploration on the project or even meet the minimum tenement requirements. The Company will be in a position to focus its attention and resources on other opportunities that may be outside the resource sector and may create Shareholder value.</p>

12.4 Disadvantages of Approving the Transaction

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

Disadvantage	Description
<p>The Company will no longer hold any exploration assets</p>	<p>If Shareholders approve the Transaction the Company will effectively become an ASX listed shell as its will no longer hold its main undertaking, the Barkley Project. There may be some Shareholders who have invested in the Company as a result of its copper-gold asset.</p> <p>However, we note Shareholders approved the resolution at the Annual General Meeting in November 2015 for the Company to seek out new acquisitions.</p>

13. Conclusion

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

14. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Facilities and Management Agreement between Blaze International Ltd and Kalgoorlie Mine Management Pty Ltd dated 17 November 2009;
- Deed of Variation between Blaze International Ltd and Kalgoorlie Mine Management Pty Ltd dated 10 October 2012;

- Deed of termination and release between Blaze International Ltd and Kalgoorlie Mine Management Pty Ltd dated 4 December 2015;
- Audited financial statements of Blaze International Ltd for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
- Unaudited management accounts of Colour Minerals Pty Ltd for the period ended 31 December 2015 and the year ended 30 June 2015;
- Independent Valuation Report of on the Barkly Project dated 29 February 2016 performed by Agricola Mining Consultants Pty Ltd;
- Share registry information of Blaze International Ltd;
- Information in the public domain; and
- Discussions with Directors and Management of Blaze.

15. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$18,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

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

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

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

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

16. Qualifications

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

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

The persons specifically involved in preparing and reviewing this report were Adam Myers and Sherif Andrawes of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of

independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

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

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

17. Disclaimers and consents

This report has been prepared at the request of Blaze for inclusion in the Notice of Meeting which will be sent to all Blaze Shareholders. Blaze engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal to dispose of assets held by the Company in consideration for the termination of the Management Agreement in place with Kalgoorlie Mine Management Pty Ltd.

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

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

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

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

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

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon an independent valuation of the Company's interest in the Barkly Project.

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

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

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

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Adam Myers
Director



Sherif Andrawes
Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 (Cth)
Agricola	Agricola Mining Consultants Pty Ltd
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
Asset Consideration Alternative	Transfer the following assets to KMM: <ul style="list-style-type: none"> • 100% of Colour Minerals Pty Ltd; • The assignment to KMM of the intercompany loan owed by Colour Minerals Pty Ltd to Blaze International Ltd; • The transfer of 450,000 shares in PWW; and • The transfer of two bank deposits totalling \$19,455 held as security by the Northern Territory Department of Mines in relation to the Barkly Project.
ASX	Australian Securities Exchange
AUD	Australian Dollar
Barkly Project	Barkly Copper-Gold Project
BDO	BDO Corporate Finance (WA) Pty Ltd
Blaze	Blaze International Ltd
Cash Consideration Alternative	Payment of \$466,379 to Kalgoorlie Mine Management Pty Ltd
Colour Minerals	Colour Minerals Pty Ltd, a 100% owned subsidiary of Blaze International Ltd
The Company	Blaze International Ltd
DCF	Discounted Future Cash Flows
Deed	Deed of Termination and Release between Blaze International Ltd and Kalgoorlie Mine Management Pty Ltd dated 4 December 2015
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation

Reference	Definition
FME	Future Maintainable Earnings
FSG	Financial Services Guide
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
JV Agreement	Farm-In joint venture between Blaze International Ltd and Meteoric Resources NL agreement in relation to the Barkly Project
KMM	Kalgoorlie Mine Management Pty Ltd
Management Agreement	Facilities and Management Agreement between Blaze International Ltd and Kalgoorlie Mine Management Pty Ltd dated 17 November 2009 (and subsequently varied on 10 October 2012)
Meteoric	Meteoric Resources NL
NAV	Net Asset Value
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
PWW	Power Resources Limited
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Shareholders	Shareholders of Blaze International Ltd not associated with Kalgoorlie Mine Management Pty Ltd
The Transaction	The proposal to dispose of assets held by the Company in consideration for the termination of the Management Agreement in place with Kalgoorlie Mine Management Pty Ltd
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party

Reference

Definition

would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.

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For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 – Valuation Methodologies

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

1 *Net asset value ('NAV')*

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

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

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

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

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

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

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

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

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

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

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

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

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

4 *Discounted future cash flows ('DCF')*

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

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

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

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

5 *Market Based Assessment*

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

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Appendix 3 - Independent Valuation Report



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

29 February 2016
The Directors,
BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008

Dear Sirs,

**Re: INDEPENDENT VALUATION OF THE BARKLY COPPER-GOLD PROJECT in the NORTHERN
TERRITORY HELD BY BLAZE INTERNATIONAL LIMITED**

Agricola Mining Consultants Pty Ltd (“Agricola”) has been commissioned by the Directors of BDO Corporate Finance (WA) Pty Ltd (“BDO”) to provide a Mineral Asset Valuation Report (“Report”) of the Mineral Assets in the Northern Territory held by Blaze International Ltd (the “Company”). This report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the exploration assets based on the information in this Report.

The present status of the tenements in the Northern Territory is based on information made available by the Company and verified on the Department of Mines and Energy, NT, STRIKE database. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

Scope of the Valuation Report

A Valuation Report expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related corporate Securities. Agricola prepared this Report utilizing information relating to operational methods and expectations provided to it by various sources. Where possible, Agricola has verified this information from independent sources. This Report has been prepared for the purpose of providing information to the Company but Directors of Agricola accept no liability for any losses arising from reliance upon the information presented in this Report.

This mineral asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

This is commonly known as the *Spencer Test* after the Australian High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value of a property. In attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is assumed that the property will be put to its “highest and best use”.

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

The findings of the valuation Report include an assessment of the technical value (i.e. the value implied by a consideration of the technical attributes of the asset) and a market value (which considers the influences of external market forces and risk). A range of values (high, low and preferred) has been determined and stated in the Report to reflect any uncertainties in the data and the interaction of the various assumptions made.

The main requirements of the Valuation Report are:

- Prepared in accordance with the VALMIN Code 2005
- Experience and qualifications of key personnel to be set out
- Details of valuation methodologies
- Reasoning for the selection of the valuation approach adopted
- Details of the valuation calculations
- Conclusion on value as a range with a preferred value

DECLARATIONS

Relevant codes and guidelines

This Report has been prepared as a technical assessment and valuation in accordance with the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the “VALMIN Code”, 2005), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the Australian Securities and Investments Commission (“ASIC”) and the ASX Limited (“ASX”) which pertain to Independent Expert Reports (Regulatory Guides RG111 and RG112, March 2011).

Where mineral resources have been referred to in this report, the information was prepared and first disclosed under the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia 2012.

Under the definition provided by the VALMIN Code, the mineral projects are classified as ‘advanced exploration areas’ with identified mineral resources, which are inherently speculative in nature. The properties are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of their economic potential.

Sources of Information

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. Agricola has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to the Company, along with a written request to identify any material errors or omissions in the technical information prior to lodgment.

In compiling this report, Agricola did not carry out a site visit to the project areas. Based on its professional knowledge, experience and the availability of extensive databases and technical reports made available by various Government Agencies and the early stage of exploration, Agricola considers that sufficient current information was available to allow an informed appraisal to be made without such a visit.

The independent valuation report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. Agricola has no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this report is:

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

Malcolm Castle has over 40 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company over 20 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical audits in many countries. He has completed numerous Independent Geologist's Reports and Mineral Asset Valuations over the last decade as part of his consulting business.

Mr Castle is a qualified and competent witness in a court or tribunal capable of supporting his valuation reports or to give evidence of his opinion of market value issues.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Declaration – VALMIN Code: The information in this report that relates to Technical Assessment and Valuation of Mineral Assets reflects information compiled and conclusions

derived by Malcolm Castle, who is a Member of The Australasian Institute of Mining and Metallurgy. Malcolm Castle is not a permanent employee of the Company.'

Malcolm Castle has sufficient experience relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Practitioner as defined in the 2015 edition of the 'Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets'. Malcolm Castle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.'

Competent Persons Statement – JORC Code: The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Independence

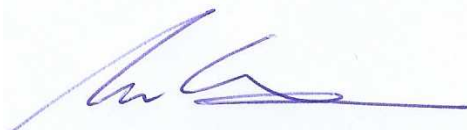
Agricola or its employees and associates are not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the projects. The relationship with the Company is solely one of professional association between client and independent consultant. The review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

Valuation Opinion

*Based on an assessment of the factors involved the estimate of market value of **100% equity** of the Company's Project is in the range of A\$0.18 million to A\$0.19 million with a preferred value of A\$0.19 million.*

This valuation is effective on 29 February 2016.

Yours faithfully



Malcolm Castle

B.Sc.(Hons) MAusIMM,
GCertAppFin (Sec Inst)
Agricola Mining Consultants Pty Ltd

TENEMENT SCHEDULE

Tenement	Project	Lease Status	Area	Equity
EL28620	Barkly	Granted	39.16km ²	Earning 80%

The status of the tenements has been verified based on a recent independent inquiry of the Department of Mines and Energy, NT, STRIKE database (*source: strike.nt.gov.au*) by Agricola, pursuant to paragraph 67 of the Valmin Code. The tenements are believed to be in good standing at the date of this valuation as represented by the Company's tenement managers except as noted earlier. Some future events such as the grant (or otherwise) of expenditure exemptions and plaint action may impact of the valuation and may give grounds for a reassessment.

PROJECT REVIEW

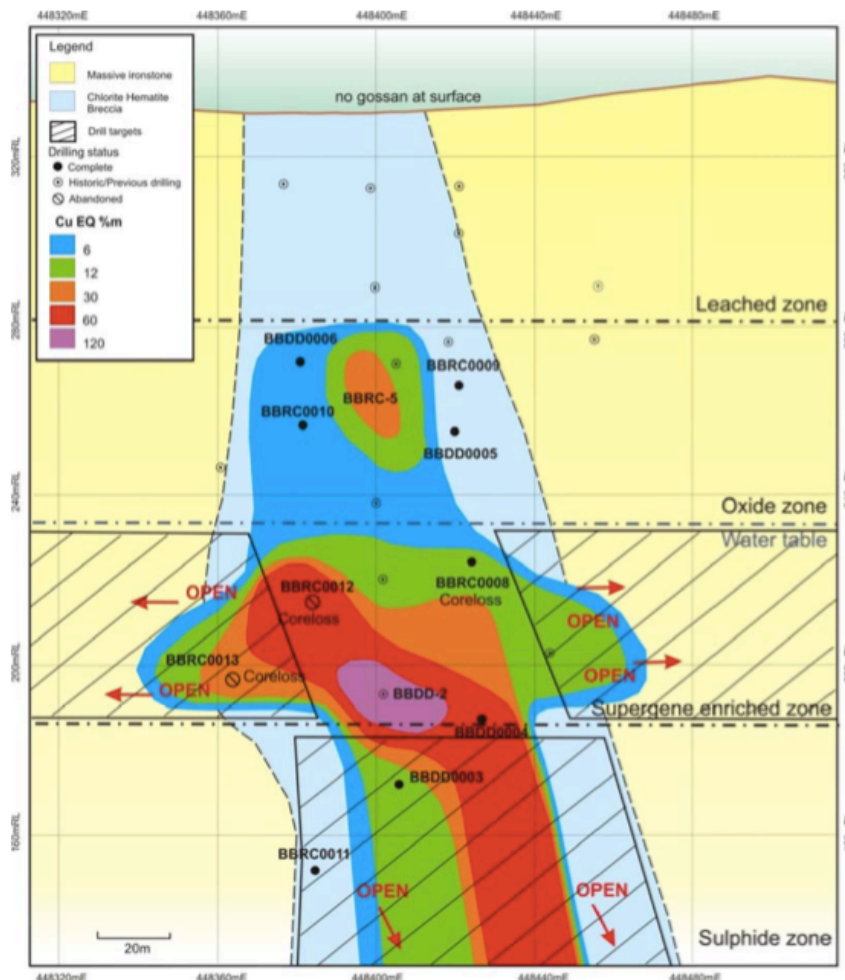
BARKLY COPPER-GOLD PROJECT

The Barkly Project is located on granted exploration licence EL28620. The lease is owned 100% by Meteoric Resources NL. The Company is in a Farm-In Joint Venture Agreement over the Barkly Copper-Gold Project and has the right to earn up to an 80% interest in the project. The project is located around 30 km east of the town of Tennant Creek in the Northern Territory.



Location of the Barkly Cu-Au-Bi project

The highest priority target within the Barkly Project is the Bluebird Prospect. It covers a 1.6km-long gravity ridge open to the east where shallow geochemical drilling by Meteoric Resources NL identified a 600m-long copper anomaly, also open to the east. Follow-up drilling confirmed Tennant Creek-style copper-gold mineralisation associated with ironstone. The ironstones and mineralisation are often discordant to the host sediments and are considered to be a high-grade variant of the iron oxide-copper-gold (IOCG) deposits found in Proterozoic terranes in Australia.



Long section of Bluebird, looking north showing copper equivalent (CuEQ%) x m** contours. Note the priority drill targets marked by dark grey hatching, and the two abandoned holes BBRC0012 and BBRC0013.

**CuEQ grade is calculated by combining the metals of interest based on their prices. In this case $Cu\% + (Au \text{ ppm} \times 0.66) + (Bi\% \times 3.84) = CuEQ\%$. It is used as a visualisation tool only and is required at Bluebird due to the poly metallic and strongly zoned nature of the mineralisation. In this situation a CuEQ% provides a better picture of the overall geometry of the mineralisation than by using copper or gold grade alone. Metallurgical recoveries were not taken into account when calculating CuEQ%. CuEQ% x m is used for the contouring to give a spatial representation of total metal accumulation.

Early drilling was successful with all holes intersecting significant Cu-Au-Bi mineralisation. The standout holes were BBDD-2: 20m at 8.17g/t Au, 0.61% Cu and 0.22% Bi from 157m (Including 4 metres at 37.9g/t Au, 0.66% Cu and 0.80% Bi from 169m) and BBRC-5: 25m at 1.9% Cu and 0.3g/t Au from 69m (Including 4 metres at 8.99% Cu and 1.06g/t Au from 74 metres). Based on the drilling

results, the mineralisation is now defined to a depth of at least 150m vertical from surface and over a strike length of up to 120m. The mineralisation starts at less than 50m below surface.

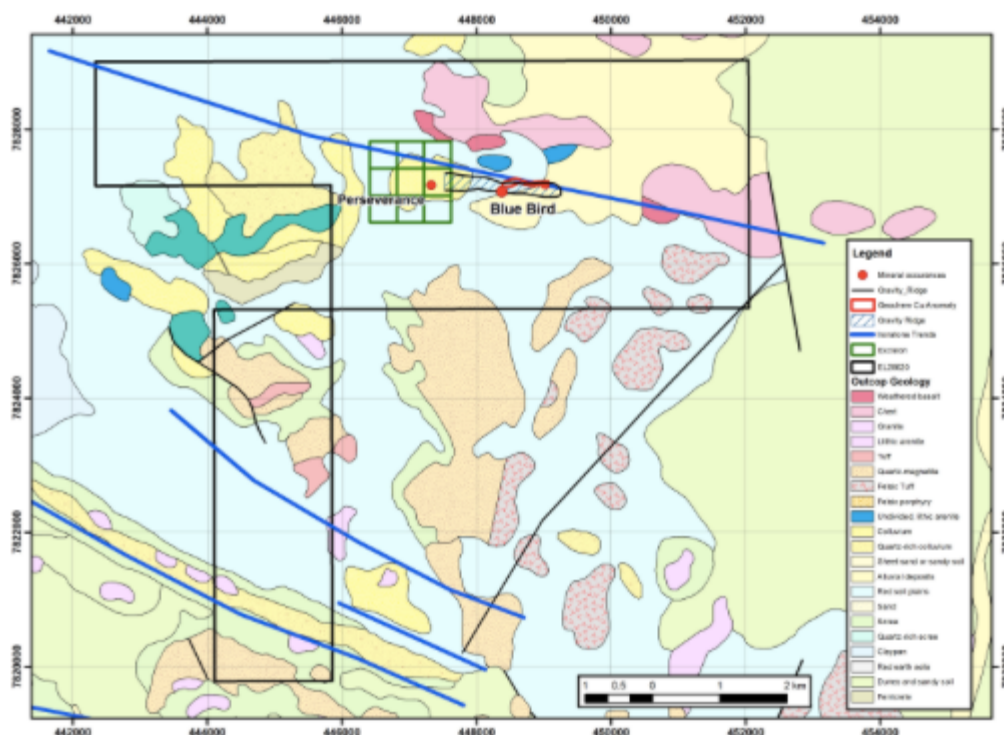
The highest grade mineralisation is located on the footwall contact of the ironstone body. BBRC-2, which was drilled previously by Meteoric Resources, did not penetrate this footwall contact position. Gold grades and mineralisation thickness appear to be increasing with depth.

A high power DTEM survey of BBDD-4 was completed and several subtle electromagnetic responses were detected by the survey. The copper sulphides at Bluebird are likely to be moderately conductive and relatively discontinuous.

Detailed petrology work on the high grade mineralisation intersected by BBDD-2 provided some clarity on the alteration assemblage and mineral associations at Bluebird, which will help prioritise future exploration programs and economic evaluation

Other Targets Within The Barkly Project

Nine “Bluebird Lookalike” magnetic/gravity exploration targets have been identified within the Barkly JV exploration licence. The Company believes these targets have the potential to produce further new discoveries in the area.

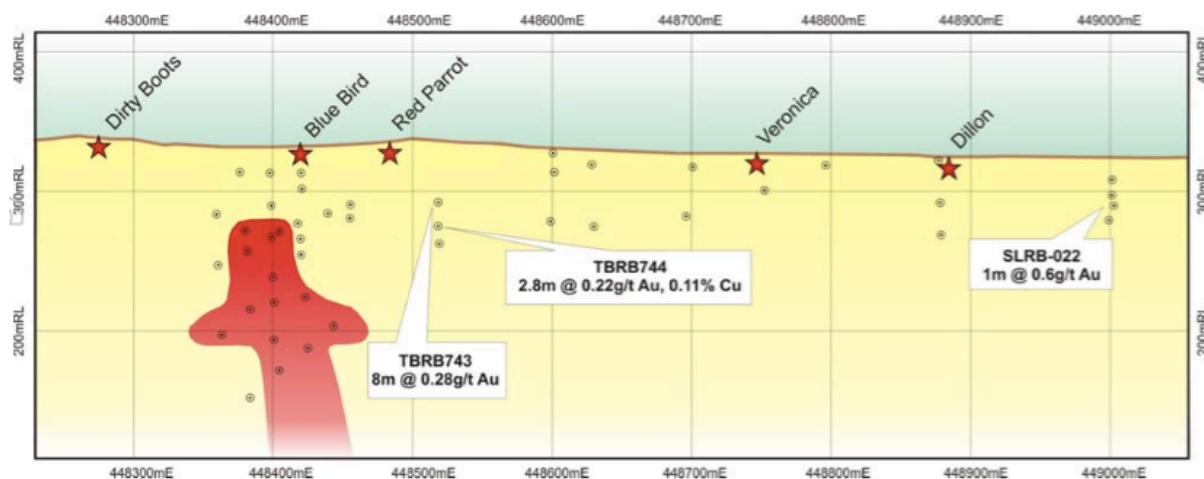


Regional prospectivity map of the Barkly Cu-Au project showing ironstone structural trends in blue, gravity ridge in black and copper geochemical anomaly in red

Reprocessing of magnetic and gravity geophysical datasets earlier in the year allowed the Company to fingerprint the signature of the Bluebird host ironstone and identify other similar features within the Barkly Project area. A number of targets were generated and ranked based on coincident

magnetic, gravity, and/or geochemical anomalies similar to Bluebird or other deposits in the Tennant Creek Mineral Field.

In most cases the targets are obscured by soil cover and at Bluebird the ironstone and the mineralisation do not develop until at least 40m below surface. There is no expression of the Bluebird mineralisation at surface as the weathering profile appears to be strongly leached in the top 40m.



Longitudinal projection of the Bluebird Trend looking north, showing successful drillhole pierce points in grey circles, labelled with significant intercepts where appropriate, and high priority targets in red stars. Bluebird mineralisation is shown in red. Note the proximity of Dillon and Red Parrot to significant historic intercepts.

References

Blaze International Limited, 2015, "Quarterly Activities Report for the Quarter Ended 30 September 2015", 30 October 2015

Blaze International Limited, 2015, "Annual Report 2015

VALUATION ASSESSMENT

Three widely accepted Valuation Approaches are:

(a) Market-based, which is based primarily on the notion of substitution. In this Valuation Approach the Mineral Asset being valued is compared with the transaction value of similar Mineral Assets under similar time and circumstance on an open market (*Comparable Transactions*).

(b) Income-based, which is based on the notion of cashflow generation. In this Valuation Approach the anticipated benefits of the potential income or cash flow of a Mineral Asset are analyzed (*Discounted Cash Flow*).

(c) Cost-based, which is based on the notion of cost contribution to Value. In this Valuation Approach the costs incurred on the Mineral Asset are the basis of analysis (*Prospectivity Exploration Multiplier and Geo-factor Rating*).

The **Barkly Gold-Copper Project** is an 'exploration project'. Several methods of valuation are available for such projects where a Mineral Resource has not yet been estimated in accordance with the JORC code. These include the use of Cost-based valuations. The Geoscientific Rating method (potential for further discoveries) and Past Expenditure methods are appropriate for exploration ground that is not advanced enough to estimate mineral resources. These methods may be supported by reference to Yardstick (Rule of Thumb) methods as a reasonableness check.

Exploration projects can be extremely variable and the use of comparable transactions is unlikely to produce a statistical spread of values for "similar" projects. This method can be used with some certainty where a Mineral Resource has been estimated. The *Prospectivity Exploration Multiplier (PEM)* is based on past expenditure while the Kilburn Geoscience Rating (*Geo-factor Rating*) is based on opinions of the prospectivity hence tenements can have marked variation in value between the methods, especially where past expenditure has been poorly documented or wasted.

The 'Geo-factor Rating' method of valuation for exploration tenements is the preferred valuation method for the Company's current tenements as it focuses on the future prospectivity of the area.

The Geo-factor Rating method systematically assesses four key technical attributes of a tenement to arrive at a series of factors that are multiplied together to produce a prospectivity rating. The Basic Acquisition Cost (BAC) is the important input to the method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc) and statutory expenditure for a period of 12 months. This is usually expressed as average expenditure per square kilometre. Equity and grant status are also taken into account. Each factor is then multiplied serially to the BAC. The 'Base Value' is multiplied by the prospectivity rating to establish the overall technical value of each mineral property.

GEO-FACTOR RATING METHOD – EXPLORATION POTENTIAL

BASE VALUE

This represents the exploration cost for the current period of the tenement. The current Base Acquisition Cost (BAC) for exploration projects or tenements at a similar stage is considered to be the average expenditure for the first year of the licence tenure. This is considered to be a **BAC of \$400 to \$450 per square kilometre.**

The assessment of value is based on equity in the project as shown in the following table.

A detailed list of all tenements is provided separately in the Tenement Schedule

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

Blaze International Ltd - Tenement Factors				
Project	Tenement	Km ²	Status	Equity
Barkly	EL28620	39.16	Granted	100%

Prospectivity Assessment Factors

An assessment of the prospectivity of tenements was carried out. This includes a consideration of

- Regional mineralization, old and current workings and the validity of conceptual models.
- Local mineralization within the tenements and the application of conceptual models within the tenements.
- Identified anomalies warranting follow up within the tenements.
- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

	Rating	Address - Off Property	Mineralisation - On Property	Anomalies	Geology
Low	0.5	Very little chance of mineralisation, Concept unsuitable to environment	Very little chance of mineralisation, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Unfavourable lithology over >75% of the tenement
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered favourable geology (40-50%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (80 - 100%)

Assessments in each category are based on a set scale (see above and Appendix 1) and are multiplied together to arrive at a “prospectivity index.

$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

Blaze International Limited - Prospectivity Factors									
Project		Off Site		On Site		Anomaly		Geology	
		Low	High	Low	High	Low	High	Low	High
Barkly Au-Cu Project	EL28620	1.50	1.55	2.25	2.30	2.25	2.00	2.00	2.05

TECHNICAL VALUE

Technical Value is an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

An estimate of technical value has been compiled for the tenements based on the base acquisition cost, area, grant status, equity and ratings for prospectivity.

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

Technical Value Summary, A\$M			
Project	Low	High	Preferred
Barkly Au-Cu Project	0.24	0.26	0.25

Comparison with Yardstick (Rule of Thumb) Method

A review of technical value (which is not influenced by market conditions) of exploration areas carried out by Agricola over the last few years suggests that ground without resources can be categorized as a matter of convenience into four groups:

- Advanced exploration areas located in a well mineralised area near existing mineral deposits with significant potential attract values well above \$2000 per square kilometre
- Exploration areas along strike or structurally related to estimated mineral resources. Such areas attract values in the range \$1200 to \$2000 per square kilometre.
- Exploration areas in known mineral fields. Such areas attract values in the range of \$700 to \$1300 per square kilometre.
- Exploration areas in green fields or early exploration domains remote from mineral resources. Such areas attract values in the range of \$400 to \$800 per square kilometre.

Based on the values estimated in this report, the exploration ground at Yerecoin and Central Yilgarn fall in the range \$6,000 to \$6,500 per square kilometer which is consistent with the geological setting, results and stage of exploration.

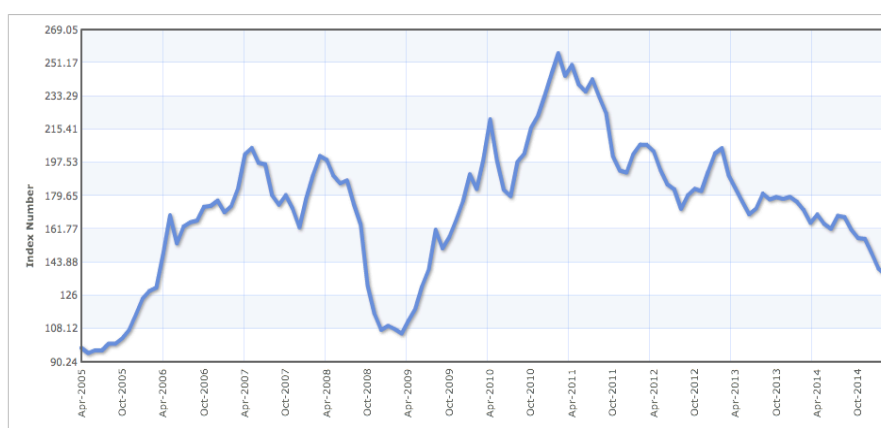
MARKET VALUE

Market Value is the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion. Market Value may be higher or lower than Technical Value.

In arriving at a fair market value for a particular exploration tenement, Agricola has considered the country risk and current market for exploration properties in Australia. Assessment of country risk and an assessment of the Business Climate have been provided by an independent specialist firm (*source: www.coface.com*). The rating for Australia is 'A2' for country risk and 'A1' for business climate, which are considered to be low. Strengths include geographic proximity to emerging Asia, mining resources, moderate public debt and specific geographic features which favour tourism. Weaknesses include vulnerable to commodities cycle and Chinese demand, substantial household debt (148% of disposable income), shortage of skilled labour, highly exposed to natural hazard and wide disparities between federated States. This rating will affect the market factor in assessing market value.

The Barkly Gold-Copper Project is considered to be at a relatively early stage with some encouragement from early drilling and geophysics. Prospectivity is estimated from geological information including drill holes, outcrops and geological information. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Choice of discount rates is mainly based on experience in the current resources market in early 2016. While there is some investment interest it is almost exclusively directed towards advanced projects with a short-term path to development. The attitude of market sentiment is apparent in the Commodity metals price index shown below.



Description: Commodity Metals Price Index, 2005 = 100, includes Copper, Aluminum, Iron Ore, Tin, Nickel, Zinc, Lead, and Uranium Price Indices

A combination of early stage and the general malaise of the mining sector suggests a market discount of **25%** has been applied to the technical value of the Barkly Gold-Copper Project.

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

Market Value Summary, A\$M				
Project	Market Factor	Low	High	Preferred
Barkly Au-Cu Project	75%	0.18	0.19	0.19

Agricola has reviewed alternative comparative valuation methods as set out in Regulatory Guide 111: Content of expert reports (RG 111) at RG 111.65, which considers that "an expert should, where possible, use more than one valuation methodology. We consider this reduces the risk that the expert's opinion is distorted by its choice of methodology. We also consider that an expert should compare the figures derived from using the different methodologies and comment of any differences".

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

Agricola considers that the expectation of future gain is the main driver for mineral asset valuation of exploration projects as it endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the Spencer Test). The method set out in this report is considered appropriate for valuation of mineral resources.

VALUATION OPINION

Based on an assessment of the factors involved the estimate of market value of 100% equity of the Company's Project is in the range of A\$0.18 million to A\$0.19 million with a preferred value of A\$0.19 million.

This valuation is effective on 29 February 2016.

Valuation of mineral resources is estimated at a specific date as stated in the report and metal prices are estimated from current information available at that time. Metal markets may be quite volatile from time to time and it is appropriate to consider the effect of variations in metal price (which may change on a daily basis).



MINERAL ASSETS VALUATION FOR EXPLORATION TENEMENTS

M. Castle – Updated 25 January 2016

Agricola Mining Consultants Pty Ltd (“Agricola”) has prepared these notes as background to the Independent Valuation Report. The notes are general in nature and references to Western Australia are an example of exploration expenditures. They are appropriate for other states and other countries based on Agricola’s experience in many areas of Australia and elsewhere. Parts of these notes may be repeated for clarity in the main report.

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The Meaning of Value – Scope of the Report

A Mineral asset valuation should endeavour to ascertain the price that a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

The test for determining the market value is based on the consideration of a hypothetical negotiation, namely, what is the price that a willing but not anxious purchaser would have to offer to induce a willing but not anxious vendor to sell the property rather than the price which an anxious vendor would obtain upon a forced sale. This is the price that a hypothetical prudent purchaser would entertain, if he desired to purchase it for the most advantageous purpose for which the property was adapted.

This test contemplates a prudent purchaser who has informed himself or herself of all of the relevant attributes and advantages that the property enjoyed which means not just being conversant with the property in its existing state but also any profitable uses to which it might be put. This embodies the concept of the highest and best use of the property.

Judicial interpretation

The High Court cast light on the ordinary meaning of 'market value' in 1907 in [Spencer v. The Commonwealth of Australia](#). In this case, the Commonwealth had compulsorily acquired land for a fort at North Fremantle in Western Australia.

In discussing the concept of market value, Griffith CJ commented (page 432) that:

... the test of value of land is to be determined, not by inquiring what price a man desiring to sell could have obtained for it on a given day, i.e. whether there was, in fact, on that day a willing buyer, but by inquiring: What would a man desiring to buy the land have had to pay for it on that day to a vendor willing to sell it for a fair price but not desirous to sell?

Isaacs J subsequently expanded on the concept (page 441):

... to arrive at the value of the land at that date, we have ... to suppose it sold then, not by means of a forced sale, but by voluntary bargaining between the plaintiff and a purchaser willing to trade, but neither of them so anxious to do so that he would overlook any ordinary business consideration. We must further suppose both to be perfectly acquainted with the land and cognisant of all circumstances which might affect its value, either advantageously or prejudicially, including its situation, character, quality, proximity to conveniences or inconveniences, its surrounding features, the then present demand for land, and the likelihood as then appearing to persons best capable of forming an opinion, of a rise or fall for what reasons so ever in the amount which one would otherwise be willing to fix as to the value of the property.

In this case, the High Court recognised the principles of:

- the willing but not anxious vendor and purchaser
- a hypothetical market
- the parties being fully informed of the advantages and disadvantages associated with the asset being valued (in the specific case, land)
- both parties being aware of current market conditions.

This is commonly known as the *Spencer test* after the High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value or property. (*Spencer v Commonwealth* (1907) 5 CLR 418 at 432 per Griffiths CJ and 441 per Isaacs J.).

Although the *Spencer test* is based on both a hypothetical vendor and a hypothetical purchaser and therefore the market value from either hypothetical party's point of view should be the same, in some cases emphasis has been placed on what would be the best price which the vendor could hope to obtain.

The question as of "special value" of particular property has often been raised in cases. However in reality this is only part of the *Spencer test* that in attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is to be assumed that the property will be put to its "highest and best use".

Applying the *Spencer test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during 'boom' conditions or a

depressed market during ‘bust’ conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with market conditions.

The *Spencer test* has been applied in stamp duty cases in determining the value of the dutiable property.

These principles apply equally to mineral assets

Regulatory Authorities

Mineral asset valuations are prepared in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the “VALMIN Code”, 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the Australian Securities and Investments Commission (“ASIC”) and the ASX Limited (“ASX”) which pertain to Independent Expert Reports (*Regulatory Guides RG111, 2011 and RG112, 2011*).

Where mineral resources have been referred to in this report, the classifications are consistent with the *“Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”)*, prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2012.

The VALMIN Code, 2005

The main requirements of the *Valuation Report* are

- *Prepared in accordance with the VALMIN code.*
- *Details of valuation methodologies*
- *Reasoning for the selection of the valuation approach adopted*
- *Details of the valuation calculations*
- *Conclusion on value*
- *Experience and qualifications of key personnel to be set out*

Competence - Competence or being Competent requires that the Public Report is based on work that is the responsibility of a suitably qualified and experienced person who is subject to an enforceable professional Code of Ethics. The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years’ experience in that commodity. *For Example:*

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle who is a member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which

they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Materiality - Materiality or being Material requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report. Materiality and Material refer to data or information which contribute to the determination of the Mineral Property value, such that the inclusion or omission of such data or information might result in the reader of a Valuation Report coming to a substantially different conclusion as to the value of the Mineral Property. Material data and information are those, which would reasonably be required to make an informed assessment of the value of the subject Mineral Property.

Transparency - Transparency or being Transparent requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information. The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer. Transparency and Transparent means that the Material data and information used in (or excluded from) the Valuation of a Mineral Property, the assumptions, the Valuation approaches and methods, and the Valuation itself must be set out clearly in the Valuation Report, along with the rationale for the choices and conclusions of the Qualified Valuer.

Reasonableness – Reasonableness requires that an assessment that is impartial, rational, realistic and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation. A Reasonableness test serves to identify Valuations, which may be out of step with industry standards and industry norms. It is not sufficient for a Qualified Valuer to determine that he or she personally believes the value determined is appropriate without satisfying an objective standard of proof.

Independence - Independence or being Independent requires that there is no present or contingent interest in the Mineral Asset(s), nor is there any association with the Commissioning Entity or related parties that is likely to lead to bias.

The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the valuer must not receive any special benefit from doing the study. This subject is addressed fully in RG112 (112.42). Independence or Independent means that, other than professional fees and disbursements received or to be received in connection with the Valuation concerned, the Qualified Valuer or Qualified Person (as the case requires) has no pecuniary or beneficial (present or contingent) interest in any of

the Mineral Properties being valued, nor has any association with the Commissioning Entity or any holder(s) of any rights in Mineral Properties which are the subject of the Valuation, which is likely to create an apprehension of bias. The concepts of “Independence” and “Independent” are questions of fact. For example, where a Qualified Valuer’s fees depend in whole or in part on an understanding or arrangement that an incentive will be paid based on a certain value being obtained, such Qualified Valuer is not Independent.

Methodology - The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets under consideration. Selection of the appropriate valuation method will depend on, inter alia:

- (a) the purpose of the Valuation;
- (b) the development status of the Mineral or Petroleum Assets;
- (c) the amount and reliability of relevant information;
- (d) the risks involved in the venture; and
- (e) the relevant market conditions for commodities.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral Assets under consideration in the Report, stating the reasons why the particular valuation methods have been selected in relation to those factors and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation methods used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reasons for selecting the Value adopted.

Regulatory Guides RG111 and RG112, March 2011

It is not the Australian Securities and Investment Commission – ASIC’s role or intention to limit the expert’s exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

- (a) the discounted cash flow method;
- (b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the values derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

- (a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
- (b) the current market value differs materially from that derived by the chosen method.

The JORC Code, 2012

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves.

The JORC Code provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

The JORC Code was first published in 1989, with the most recent revision being published late in 2012. Since 1989 and 1992 respectively, it has been incorporated in the Listing Rules of the Australian and New Zealand Stock Exchanges, making compliance mandatory for listing public companies in Australia and New Zealand.

The current edition of the JORC Code was published in 2012 and after a transition period the 2012 Edition came into mandatory operation from 1 December 2013.

Changes to the JORC Code 2012

- Table 1 reporting on an 'if not, why not?' basis – Clauses 2, 5, 19, 27, 35 and the introduction of Table 1.
- Competent Person Attributions – Clause 9
- Exploration Targets – Clause 17
- Pre-Feasibility required for Ore Reserves – Clause 29
- Technical Studies definitions – Clause 37-40
- Annual Reporting – Clause 15
- Metal Equivalent – Clause 50
- *In situ* values – Clause 51
- Additional guidance on reporting in Table 1

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Fair Market Value of Mineral Assets

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Mineral assets classification	
Exploration areas	<p>Mineralisation may or may not have been identified, but where a mineral resource has not been defined. Available information includes exploration results such as outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results.</p> <p><i>Valuation Methods: Geoscience Factor, Prospectivity Enhancement Multiplier, Yardstick (Rule of Thumb).</i></p>
Advanced exploration areas	<p>Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment. Available information includes estimates of Exploration Targets, Inferred Resources, Indicated Resources, Measured Resources in accordance with the JORC Code 2012 and the exploration results from the surrounding area or prospect used to compile the estimates. Additional value for exploration potential in the immediate area is not considered to be warranted.</p> <p><i>Valuation Methods: Comparable Transactions, Yardstick (Rule of Thumb)</i></p>
Pre-development projects	<p>A positive development decision has not yet been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles. Available information includes Mineral Resource estimates in accordance with the JORC Code and a scoping study. If a recent and valid Pre Feasibility Study has been prepared an Ore Reserve may have been estimated with due regard to modifying factors.</p> <p><i>Valuation Methods: Comparable Transactions, Discounted Cash Flow (if Ore Reserves have been estimated)</i></p>
Development projects	<p>Committed to production, but which, are not yet commissioned or not initially operating at design levels. Available information includes a Feasibility Study with supporting technical studies.</p> <p><i>Valuation Methods: Discounted Cash Flow.</i></p>
Operating Mines	<p>Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production.</p> <p><i>Valuation Methods: Discounted Cash Flow.</i></p>

Agricola's preferred valuation method is shown in bold type.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value (or stand alone value) which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently.

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or possibly lower. Alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Valuer based on his experience.

The Independent Valuer, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralisation
- level of knowledge of the geometry of mineralisation in the district
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralisation identified on adjacent properties
- appropriate geological models
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralisation

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a "market factor" unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified Ore Reserves it is appropriate to use financial analysis methods to estimate the net present value (“NPV”) of the properties. This technique (the DCF Method) has deficiencies, which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified Ore Reserves it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier (“PEM”) is heavily based on the expenditure; while the Geoscience Factor is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Geoscience Factor assessment is high and the PEM is low it indicates effective well focused exploration, if the Geoscience Factor is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

Methodologies commonly used for the valuation of early stage or exploration assets in order of the evidentiary value provided by each include:

Contemporaneous transactions in the asset

Where a transaction has taken place around the valuation date in the mineral asset in question, this provides the best evidence of value. This may occur when a body of mineralisation or confined geological domain is split by a tenement boundary and one part is sold.

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today’s market. Complicating matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company’s interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

DCF value

Where a financial model has been prepared which considers the exploration results to date, the costs involved in taking the project to production and the probability-weighted returns expected from the project, in the absence of a contemporaneous transaction in the actual exploration interest, this provides the best evidence as to the value of the exploration interest. This method requires that a reasonable estimate can be made of expected cash flows. In accordance with the JORC Code 2012, the estimation of an Ore Reserve must be based on a Pre Feasibility Study or a Feasibility Study. The DCF Method, therefore, is only possible then these studies are available and an Ore Reserve has been estimated. ***(DCF Method – see below)***

Contemporaneous transactions in comparable assets

Where a transaction has taken place recently in an Asset of similar prospectivity in a similar or comparable mineral market, this provides evidence of value in the absence of an actual transaction or a financial model for the exploration interest. The comparison is typically made on the basis of a value per unit of contained resource. ***(Comparable Transactions Method – see below)***

Potential for Further Discoveries

The Geoscience Factor method provides the most appropriate approach to utilise in the technical valuation of the *exploration potential* of mineral properties on which there are no defined resources. Kilburn, a Canadian mining engineer was concerned about the haphazard way in which exploration tenements were valued. He proposed an approach that essentially requires the valuer to justify the key aspects of the valuation process in a systematic and defensible manner. The valuer must specify the key aspects of the valuation process and must specify and rank aspects that enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost (“BAC”), which is the average cost incurred to acquire a base unit area of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC and its use with respect to different tenement types.

The Geoscience Factor method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied serially to the BAC of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market’s perception of value, hence the application of the market factor. ***(Geoscientific Factor Method – see below)***

Past Expenditure

Where the other methods cannot be used, a valuer could also consider *previous exploration expenditure*, and apply a multiple to this based on its effectiveness and the valuer's judgment as to the prospectivity of the project based on the results as at the valuation date. The application of this method is very subjective, and is best used for very early stage exploration interests without resources or significant drilling results. (***Prospectivity Enhancement Method – see below***)

Yardstick (Rule of Thumb) Method

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km² or per ha). It is probably the most difficult comparative tool to justify.

Share market trading in companies holding comparable exploration interests

Where information on the exploration tenements is not directly observable, valuers sometimes consider the recent share market trading in companies holding comparable exploration interests. This method may require the valuer to apportion the value of the company between its various assets, to determine the proportion of the enterprise value of the company that should be attributed to the comparable exploration interest. Once the valuer has estimated the proportion of the market capitalization or enterprise value of the company that should be attributed to the comparable exploration interest, the value per unit of contained resource or the value per km² of tenement approaches can be applied. This typically provides weak evidence of the value of specific exploration interests due to the difficulty in apportioning the enterprise value of a listed company to specific exploration interests, and the likelihood that the share price may include other 'noise' unrelated to the exploration interest.

Market Capitalisation (MCap) and Enterprise Value (EV: MCap + Debt – Cash) are often used in comparable transaction valuations, often quoted as EV per unit of Resource or reserve. These measures say *nothing* about the technical value of individual mineral assets and are usually influenced by many commercial and emotional factors both within and external to the Company.

It is fair to assume that a company's share price is a reflection of the market value of the company and this is strongly influenced by the market value of mineral assets in the light of current market conditions. If a 'willing but not anxious buyer' were to make an offer for the company based on share price, appropriate due diligence has been completed and the offer may also include a premium for control.

MCap per unit and EV per unit for peer group companies may be a satisfactory measure of 'reasonableness' of the market value of the bundle of assets and should be viewed in that light and not as a direct measure of technical value.

Valuation of Development Projects by Discounted Cash Flow Methods

Agricola believes that the Discounted Cash Flow/Net Present Value method should never be applied to the valuation of a Mineral Property that is only at an exploration stage, based on the hypothetical cash flows from a postulated exploitation scenario. Valuers tend to consider before or after tax

values only in the context of the DCF/NPV Method, with a general preference for determinations of after-tax value.

Of course, some owners can use tax losses and structure their affairs to minimise the impact of corporate taxes, but others cannot do so. Hence, it should be clearly stated on what taxation basis the fair market value is determined. This is another reason why care must be taken when using project sales data as a comparable basis for assessing value. The 'comparable' projects may be in different places subject to different taxation regimes, in any event.

Discounted cash flow analysis

A discounted cash flow ("DCF") analysis determines the Technical Value of a project by approximating the value if it were developed under the prevailing economic conditions.

Once a Mineral Resource has been assessed for mining by considering revenues and operating costs, the economically viable component of the resource becomes the Ore Reserve. When this is scheduled for mining, and the capital costs and tax regime are considered, the net present value ("NPV") of the project is established by discounting future annual cash flows using an appropriate discount rate.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, however the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

In terms of cash flow analysis, the DCF valuation technique is the most commonly used valuation tool. The technique has specific strengths over the methods considered in the market and cost approaches. These include its ability to consider the effects of royalties, leases, taxation and financial gearing on the resulting cash flow. In addition, the beneficial impact of unredeemed capital balances, assessed losses, depreciation and amortization on free cash flows can also be modelled.

Compiling cash flows on resources categorized as inferred, or those with even less geoscientific confidence (which in some cases are referred to as inventory), is prohibited by some international codes. It is only under exceptional circumstances that many securities exchanges will accept such cash flows and the effect of cash flow contributions from inferred resources on project performance should be demonstrated separately from those derived from other resource and reserve categories.

The DCF method is used to produce numerous quantitative results. On its own and as an investment tool, it is based on the principle that for any initial investment, the investor will look to the future cash flows of that entity to provide a minimum return. This return will be at least a predetermined return over the investor's hurdle rate for that investment. The hurdle rate represents the minimum return of a project, below which the decision to invest or develop a new project will be negative, and above which the project will be developed. The hurdle rate should always be greater than the cost of capital for the investor.

For a mining project, in a macroeconomic environment that is sufficiently favourable and stable for this method to be applied, the critical input data will generally be incorporated in a life of mine (LoM) plan. The LoM plan, such as that accompanying a pre-feasibility, feasibility or a bankable

feasibility study, will include:

- reserve and resource estimates in accordance with the JORC Code
- forecast mining schedules of tonnage on a daily, monthly or annual basis
- forecast grade profiles and associated recoveries from a processing facility. This, together with the tonnage profile, allows the valuer to calculate the volume of saleable product
- estimated working costs, preferably unitized to either an amount per tonne mined or milled or an amount per unit of metal or product sold
- forecast capital expenditure profiles over the life of the operation, including ongoing or sustainable capital expenditure amounts and
- rehabilitation liabilities or trust fund contributions, retrenchment costs, plant metal lock-up and any other specific factor that will impact on costs or revenue.

Changes in working capital balances are generally calculated based on historical balance ratios, applied to forecast revenues and working costs. They impact on short term cash flows and therefore must be modelled into the cash flows. Naturally, any working capital locked up during the life of the operation will be released at the end of this life.

Once the economic inputs have been assumed, the DCF can be determined. This is often stated as EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) and is frequently taken as the technical value of the project, subject to a consideration of sensitivity to the assumptions.

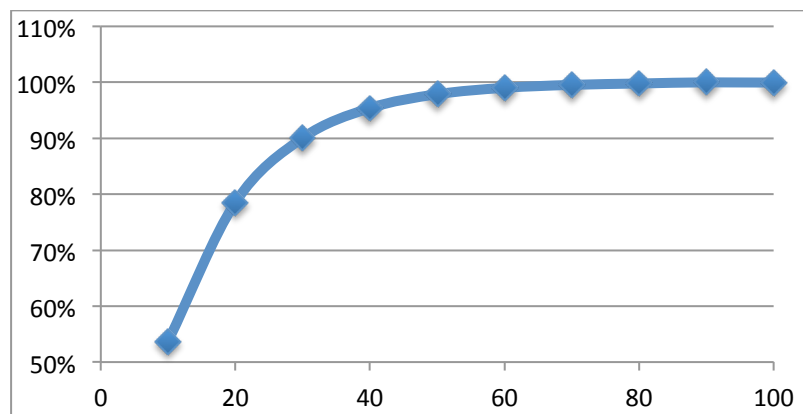
The resultant cash flow is then used to derive the net present value (NPV) of the operation at a predetermined discount rate or a range of discount rates. The derived NPV, on which the return on investment can be calculated, is used as a proxy for the operation's implicit value. This is often compared with the value or returns the market attributes to the operation, if it is a listed entity, or compared with other investment opportunities in order to optimize investment or development schedules.

In any cash flow determination, the impact of inflation on the final result cannot be overstated. One only has to consider the effect of taxation as applied to real taxable income as opposed to being levied against nominal taxable income. Converting the final cash flows to real money terms, the values derived from two similar cash flows will be quite different. The unredeemed capital balance will last longer in the real terms case, incorrectly enhancing the value of the same project. The real cash flow lines in Table X must be compared to recognize the impact of taxation on real and nominal cash flows.

As a result of the difficulty in obtaining agreement on appropriate inflation forecasts to use in the specific valuation of a project, valuers often exclude a forecast on inflation rates. This in itself may be construed as an inflation assumption, in that inflation is taken to be zero per cent per year. However, this reflects an ideal world, which is unrealistic.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, assumption into the future which cannot be verified with any confidence and limited mine life. However the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

As example of the shortcomings of the DCF Method a conceptual cash flow was modeled and NPV estimated at 8% over different time periods with the following outcome over 100 years:



Percent of maximum NPV from 10 to 100 years.

The estimated NPV reached a maximum value in 60 years and no amount of future income adds to this value.

Valuation of Resources by Comparable Transactions

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a **Comparable Transactions** approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different Mineral Resource categories and operational factors to differentiate between deposits.

Agricola Mining Consultants prefers the comparable transactions approach where mineral resources have been estimated. The DCF method is inappropriate because there is no Pre Feasibility or Feasibility Study available and no Ore Reserves has been (or can be) estimated under the JORC Code. The Geoscientific Factor method (potential for further discoveries) and Past Expenditure methods are appropriate for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola is not aware of a method to cross check the valuation for the technical value (as apposed to the Market value) under these circumstances except by comparison with earlier valuations.

With metal projects the Comparable Transactions method requires allocating a dollar value to resource tonnes or ounces in the ground. The dollar value must take into account a number of aspects of the resources including:

- The confidence in the resource estimation (the JORC Category)
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of infrastructure, development and capital expenditure aspects

This approach can be taken with metals or bulk commodities sold on the spot market and where current price can be estimated with appropriate adjustments for impurities if required. Value is estimated as a percentage of contained value by applying appropriate discounts for uncertainty relating to resource categorisation and operational issues (modifying factors) discount factors to the contained value. This is consistent with the JOC Code relating to contained values

JORC Code clause 51, page 24

The publication of in situ or 'in ground' financial valuations breaches the principles of the Code (as set out in Clause 4) as the use of these terms is not transparent and lacks material information. It is also contrary to the intent of Clause 28 of the Code. Such in situ or in ground financial valuations must not be reported by companies in relation to Exploration Results, Mineral Resources or deposit size.

The use of such financial valuations (usually quoted in dollars) has little or no relationship to economic viability, value or potential returns to investors.

These financial valuations can imply economic viability without the apparent consideration of the application of the Modifying Factors, (Clause 12 and Clauses 29 to 36), in particular, the mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social, and governmental factors.

The contained value is modified for the JORC resource category on the basis the Measured Resources will command a higher price than Inferred Resources or Exploration targets. Different operational issues have been considered to do with the individual projects. This might include higher discounts for stranded iron ore deposits, underground versus open cut mining for gold and base metals, processing difficulty, high operating and capital costs transport issues and marketing.

There is a wide variety of things to consider but to bring this down to something manageable and this has been condensed this into a single table. These discounts or modifying factors can be combined with the spread of values from the gold sales database (the AAC) to give an indication of what a purchaser would be prepared to pay for a particular mineral asset.

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

An example of appropriate discounts for operational factors is included below but these must be considered on a case-by-case basis.

Modifying Factors	Base Metals	Iron Ore	Coal	Gold	Rare Earths
Recovery	75%	75%	70%	95%	60%
Mining	75%	90%	75%	90%	100%
Processing	80%	70%	70%	95%	50%
Rail	80%	90%	70%	95%	75%
Port	80%	90%	50%	100%	90%
Capex	80%	70%	75%	90%	50%
Marketing	75%	80%	75%	100%	75%
Total Operating Discount	17%	21%	7%	69%	7%

Mergers and Acquisitions Activity

A recent review of Mergers and Acquisitions over the last eight years covering the mining boom, the GFC and the recovery phase of the Mining Market indicates the price paid for gold assets.

Merger and Acquisitions Activity (CAD)									
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gold Price	\$709	\$778	\$920	\$1,154	\$1,277	\$1,590	\$1,665	\$1,488	\$1,303
Producing Assets*	\$74	\$94	\$115	\$89	\$207	\$202	\$200	\$121	\$120
Percent of Price	10.40%	12.10%	12.50%	7.70%	16.20%	12.70%	12.00%	8.10%	9.20%
Exploration Assets*	\$54	\$28	\$31	\$29	\$71	\$90	\$47	\$23	\$17
Percent of Price	7.60%	3.60%	3.40%	2.50%	5.60%	5.70%	2.80%	1.50%	1.30%

*Estimated price paid per ounce of gold in the ground, updated December 31, 2014
Source: <http://www.ibkcapital.com/capital-market-highlights/merger-acquisition-activity/>

The information is based on Canadian experience and closely replicates values reported in Australia and similar metal markets elsewhere. The 'Apparent Acquisition Cost' ("AAC") for gold projects lies in the range of 1.5% to 7.6% of the gold price at the time. The data set does not differentiate between resource categories or variations in deposits type and individual assessment. It is implicit

that this has been taken into account with risk related discounts. Information on sales internationally has shown a pattern for AAC. For the purpose of valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles of the spread of values.

AAC Percentiles 2006 - 2014 - Exploration Assets					
Percentile	10%	25%	50%	75%	90%
AAC	1.50%	2.50%	3.40%	5.60%	6.10%
AAC Percentiles 2006 - 2014 - Producing Assets					
Percentile	10%	25%	50%	75%	90%
AAC	8.00%	9.20%	12.00%	12.50%	13.40%

The AAC method percentiles are derived from Canadian Merger and Acquisitions activity in the gold industry. The original database provided \$/ounce values for producing and non-producing asset sales for a period of years and Agricola has recalculated this as a percentage of metal value so it can be related to current metal prices in other metals. The quoted prices are based on enterprise value (EV - Market Capitalisation plus debt minus cash) so they cannot be directly compared to technical value. A "top-down" approach is often taken to determine technical value (for example for stamp duty assessment) where company specific elements such as cash, debt, goodwill, database value etc are deducted from the EV. Agricola prefers a "bottom-up" approach in this Report where discount factors for resource category and operating factors are assessed for each deposit.

This, of course, is a subjective decision and AAC percentiles are used in conjunction with the resource category discounts and operational factors to "normalise" the rates for gold acquisitions to other metals. In the absence of a useful database of project sales for other metals this is considered to be a reasonable proxy for sales in most metal projects (the combination of AAC, discounts and Operational factors). Mineral asset sales are related to the current mineral price (or contained value) which is provided by the M & A database over the period 2006 - 2013 through a period of boom and bust and the valuation method is realistic when adjusted by factors that relate specifically to the metal involved and more specifically to the individual deposits.

Sensitivity to Metal Price



Description: Commodity Metals Price Index, 2005 = 100, includes Copper, Aluminum, Iron Ore, Tin, Nickel, Zinc, Lead, and

Valuation of mineral resources is estimated at a specific date as stated in the report and metal prices are estimated from current information available at that time. Metal markets may be quite volatile from time to time and it is appropriate to consider the effect of variations in metal price (which may change on a daily basis).

The chart represent the Commodity Metal Price index over the last fifteen years and shows a marked decline in 2008/09 (GFC) and a similar decline in recent years.

There is an obvious need for reassessment of value if there is a significant change in metal/oxide prices.

Geoscience Factor Method

The Geoscience Factor method attempts to convert a series of scientific opinions about a subject property into a numeric evaluation system. The success of this method relies on the selection of multiplying factors that reflect the tenement's prospectivity.

Agricola Mining Consultants prefers the Geoscientific Factor method (potential for further discoveries) for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola uses Past Expenditure and yardstick (Rule of Thumb) methods as an appropriate way of cross checking the reasonableness of the valuation.

The Geoscience Factor method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor (grade) of any mineralisation known to exist on the property being valued;
- geophysical and/or geochemical targets and the number and relative position of anomalies on the property being valued;
- geological patterns and models appropriate to the property being valued.

It is recognised that application of this method can be highly subjective, and that it relies almost exclusively on the geoscience ratings adopted by the valuer. As such, it is good practice for valuers using this method to provide sufficient discussion supporting their selection of the various multiplying factors to allow another suitably qualified geoscientist to assess the appropriateness of the factors selected.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects

the market's perception of value, hence the application of the market factor. Agricola Mining Consultants prefers the Geoscience Factor approach because it endeavours to implement a system that is systematic and defensible. It also takes account of the key factors that can be reasonably considered to impact on the exploration potential. The keystone of the method is the BAC, which provides a standard base from which to commence a valuation. The acquisition and holding costs of a tenement for one year provides a reasonable, and importantly, consistent starting point. Presumably when a tenement is pegged for the first time by an explorer the tenement has been judged to be worth at least the acquisition and holding cost.

It may be argued that on occasions an EL may be converted to a ML expediently for strategic reasons rather than based on exploration success, and hence it is unreasonable to value such a ML starting at a relatively high BAC compared to that of an EL.

It has also been argued that the method is a valuation-by-numbers approach. In Agricola's opinion, the strength of the method is that it reveals to the public, in the most open way possible, just how a tenement's value was systematically determined. It is an approach that lays out the subjective judgements made by the valuer.

Area

The area of a tenement is usually stated in terms of square kilometres as a matter of convenience and consistency. A graticular boundary (or block) system was introduced for exploration licences in mid 1991 in W.A. and a block is defined as one minute of latitude by one minute of longitude. The square kilometres contained within a block varies from place to place. For instance, at Kunnanurra (Latitude 15 deg. S) one block equals 3.31 square kilometres, at Mt Isa (Latitude 20 deg. S) one block equals 3.22 square kilometres. at Carnarvon or Bundaberg (Latitude 25 deg. S) one block equals 3.11 square kilometres and at Albany or Adelaide (Latitude 35 deg. S) one block equals 2.81 square kilometres.

Prospecting Licences and Mining Leases are granted in Hectares (100 hectares equals one square kilometre).

Basic Acquisition Cost

The Basic Acquisition Cost ("BAC") is the important input to the Geoscience Factor Method and it is estimated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees for a first stage exploration tenement such as an Exploration Licence (the first year holding cost).

The notes are general in nature and references to Western Australia are an example of exploration expenditures. they are appropriate for other states and other countries based on Agricola's experience in many areas of Australia and elsewhere.

The current holding cost for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of \$300 per square kilometre per year with a minimum of \$20,000 and annual rent of \$46.80. A 15% administration fee is taken into account to imply a holding cost of \$400 per square kilometre. A similar approach based on expenditure

commitments could be taken for Prospecting Licences and Mining Leases (effective 1 July 2014). The Benchmark minimum expenditure for Exploration Licences in the Northern Territory is \$10,000 plus \$150 per block.

The BAC was originally based on calculations of exploration expenditures and other costs for Western Australia. Agricola's experience has confirmed this range to be appropriate for other parts of the world where exploration or valuations have been carried out.

Many overseas jurisdictions do not specify a minimum expenditure commitment but require that sufficient work be completed in the first year to allow granting of the tenement into the second year. This usually requires preparation of a report with results of exploration carried out. For example with a grass roots portfolio 500 square kilometres in the first year the expenditure (BAC) would be \$200,000 to \$225,000 which is appropriate for early work of desktop studies, field visits rock chip sampling and general research. Agricola believes an Australian company would consider this reasonable for the first phase of work in any country.

A company may well choose to spend more than that and budgets of \$0.5 to \$1.0 million are not uncommon but these budgets are usually based on significant previous encouragement such as scout drilling, aeromagnetic targets etc. The BAC is designed for grass roots projects where no earlier work is available and only regional selection information is available.

Where the Company in earlier work programs has received encouragement from earlier work then that aspect is addressed in the geofactors, which tend to upgrade the BAC based on earlier results and perceived prospectivity.

In Western Australia (from February 2006), an application for a Mining Lease required either a mining proposal or a statement describing when mining is likely to commence; the most likely method of mining; and the location, and the area, of land that is likely to be required for the operation of plant, machinery and equipment and for other activities associated with those mining operations. A mineralisation report is also required that has been prepared by a qualified person.

The mineralisation report must be completed by a qualified person and shall contain information of sufficient standard and detail to substantiate, to the satisfaction of the Director Geological Survey, that significant mineralisation exists within the ground applied for. A 'qualified person' means a person who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG). Significant mineralisation means a deposit of minerals located during exploration activities and that there is a reasonable expectation that those minerals will be extracted by mining operations.

The implication of the mineralisation report suggests that Mining leases should be valued on the body of significant mineralisation (usually a Mineral Resource estimated in accordance with the JORC Code) and not on the basis of prospectivity. The preferred method for valuing resources is by comparable transactions (Market Based).

The Mineral Resources are assumed to encapsulate all the value for the tenements or prospects on which they occur and the exploration results considered for the estimate. A separate value for exploration potential for this tenement is not considered warranted.

It is recognised that further exploration potential may exist within the tenement boundaries but when a mineral resource has already been estimated in accordance with the JORC Code a hypothetical willing but not too anxious purchaser would be unlikely to consider additional value for surrounding untested ground. The possibility of undrilled extensions to mineral resources may be considered in the market factor assessment.

Mining Leases granted prior to 2006 and Prospecting Licences may not have a mineralisation report available and may cover old workings or simply an expedient or strategic method of securing ground at the expiry of an Exploration Licence rather than based on exploration success. While these Licences carry all the obligations set out in the Mining Act, from a valuation point of view they are equivalent to Exploration Licences and it is unreasonable to value such these MLs (or PLs) starting at a relatively high holding cost compared to that of an EL where only exploration results are available. These tenements should be considered on the basis of a **BAC of \$400 to \$450**. To value these areas at the higher levels may not be considered to be reasonable under the VALMIN Code.

Tenement Status

Uncertainty may exist where a tenement is in the application stage. Competing applications may be present where a ballot is required to determine the successful applicant or Native Title issues and negotiations may add to the risk of timely grant. Other issues may also be present such as state parks or forestry and wildlife reserves, competing land use and compensation agreements. There is an inherent risk that the tenement may not be granted and this needs to be recognised in the base value assessment. A 'grant factor' of zero may be applied where there is no realistic chance of approval (e.g. sacred sites) and where no significant impediments are known the factor may increase to about 60% to reflect delays and compliance with regulations.

Equity

The equity a Company may hold in a tenement through joint venture arrangements or royalty commitments may be addressed in assessing base Value but it is often considered at the end of a valuations report.

Geoscience Factors

The multipliers or ratings and the criteria for rating selection across these four factors are summarised in the following table.

The selection of factors from the table must be tempered with an eye to the reasonableness of the outcome and an awareness of the inherent exploration risks in achieving progress to the next level. Some exploration licences are overly large and may cover several domains of prospective (or entirely unprospective) ground and this should be recognised in the Geology Factor. A conservative approach is considered mandatory.

Estimate of project value is carried out on a tenement-by-tenement basis and uses four calculations as shown below. The value estimate is shown as a range with a preferred value.

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

$$\text{Market Value} = [\text{Technical Value}] * [\text{Market Premium/Discount Factor}]$$

GEO-FACTOR RATING CRITERIA - GUIDELINES					
	Rating	Address - Off Property	Mineralisation - On Property	Anomalies	Geology
Low	0.5	Very little chance of mineralisation, Concept unsuitable to environment	Very little chance of mineralisation, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Unfavourable lithology over >75% of the tenement
	0.75				Unfavourable lithology over >50% of the tenement
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered favourable geology (40-50%)
	1.5	RAB Drilling with some scattered results	Exploratory sampling with encouragement, Concept validated	Several early stage targets outlined from geochemistry and geophysics	Shallow alluvium Covered favourable geology (50-60%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
	2.5	Grid drilling with encouraging results on adjacent sections	Diamond Drilling after RC with encouragement	Several well defined surface targets with encouraging drilling results	Strongly favourable lithology (70-80%)
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (80 - 100%)
	3.5	Along strike or adjacent to known mineralisation at Pre-Feasibility Stage	Resource areas identified	Subeconomic targets of possible significant volume - early stage drilling	

Prospectivity Enhancement Multiplier ("PEM")

Various valuation methods exist which make reference to historical exploration expenditure. One such method is based on a 'multiple of historical exploration expenditure'. Successful application of

this method relies on the valuer assessing the extent to which past exploration expenditure is likely to lead to a target resource being discovered, as well as working out the appropriate multiple to apply to such expenditure.

Another such method is the 'appraised value method'. When adopting this approach, the valuer should only account for meaningful past exploration expenditure plus warranted future expenditures. Warranted future expenditures reflect a reasonable and justifiable exploration budget to test the identified potential of the target.

PEM Factors Used in this valuation method

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

When historical expenditure approaches are adopted, it is good practice for valuers to provide full transparency in relation to all historical exploration expenditure on the subject property, details of those expenditures selected for use in the method (including details in relation to warranted future expenditures), and justification for any multiples applied.

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results, a PEM can be derived which takes into account the valuer’s judgment of the prospectivity of the tenement and the value of the database.

Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to 60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM Factors are defined in the table.

Yardstick (Rule of Thumb) Method

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km² or per ha). It is probably the most difficult comparative tool to justify. This Method has found greater acceptance in North America, where tenement sizes appear to be smaller and where there are many more transactions forming a deep and liquid market than elsewhere. In addition, dealing in tenements is not discouraged by the mining legislation, especially in the US with its historic focus on property rights. It is used in Canada and Australia, though to a much lesser extent.

In Australia, many State jurisdictions grant large exploration tenements (say 300km² maximum) on a graticular block system. This means a tenement is usually larger than geometrically necessary to cover the specific geologically prospective terrane. Also, most jurisdictions here require periodic significant reductions in the tenement's size, so it is common to apply for more area than is actually needed to provide for this obligatory reduction. The sale of exploration tenements to third parties is discouraged (although sales, particularly if interests, certainly occur) because the basis of grant is that the applicants will carry out the granted tenement's exploration obligations themselves. The State sees itself as the centralised, timely distributor of exploration rights, not the free market.

That said, some valuers still attempt to use this Rule-of-Thumb (based upon area) in Australia with an emphasis on market value. A review of technical value (which is not influenced by market conditions) of exploration areas carried out by Agricola over the last few years suggests that ground without resources can be categorized as a matter of convenience into four groups:

- Advanced exploration areas located in a well mineralised area near existing mineral deposits with significant potential attract values well above \$2000 per square kilometre
- Exploration areas along strike or structurally related to estimated mineral resources. Such areas attract values in the range \$1200 to \$2000 per square kilometre.
- Exploration areas in known mineral fields. Such areas attract values in the range of \$700 to \$1300 per square kilometre.
- Exploration areas in green fields or early exploration domains remote from mineral resources. Such areas attract values in the range of \$400 to \$800 per square kilometre.

Adjustments to the Technical Value – Market Value

Mineral Assets are often bought and sold at a price that is different than their technical value or stand-alone value. To the extent that it exists, the amount of the transacted value differs from the technical value is often described as the 'acquisition premium or discount'.

The concept of market value implies the construction of a hypothetical transaction between willing, knowledgeable, but not anxious buyers and sellers. Therefore, when assessing the market value of resource projects, it is likely that valuers will consider whether it is appropriate to make an adjustment to the technical value of the project to reflect any observed 'acquisition premium or discount', or other adjustments. Such adjustments can either be implicit or explicit in the valuation method chosen. However, care should be taken not to treat as acquisition premium or discount something that is properly part of technical value, such as where assumed forward values for commodity prices are reflected in the technical value.

Particularly when valuing early stage exploration and development projects the technical value may be assessed for a project with reference to parameters that may be above or below those present in the financial markets as at the valuation date. Consequently, when applying these exploration valuation methods, it may be appropriate to reflect a series of high level adjustments to the technical value to account for differences in market conditions relative to those embedded within the method itself.

However, other valuation methods (particularly the DCF valuation method) are able to explicitly reflect a series of parameters that may apply to future financial market expectations. This is particularly the case if valuers adopt commodity price, exchange rate, inflation rate, and discount rate parameters, which are forecast with reasonable confidence, and resource to reserve conversion, cost structure and capital expenditure parameters which are consistent with the expectations in the market. Doing so will limit the need to make further adjustments to the resulting stand alone value to account for such factors as 'market considerations'.

To the extent that valuers choose to apply further adjustments to their assessed stand alone value, it is good practice to clearly identify how they have applied the adjustments are applied, and the rationale for doing so.

Boom and Bust Markets

Investment in the mining sector is cyclical, and sector valuation fluctuations between boom and bust are evident over time in share prices and index prices for miners (Figure 1). Mining is a capital intensive business, so the cycle is driven by liquidity – the availability of investment funding. Liquidity is the product of sentiment, which swings between greed and fear. While the shape of historic cycles reflected in share prices of miners differs from cycle to cycle, indicators of liquidity follow a similar pattern of evolution through each cycle.

Most recently, the mining sector has experienced a bust that produced sustained share price declines across most of the sector, starting in mid-2011. All busts end, and since mid-2013 there has been strengthening signals that a change in sentiment towards miners is underway.

In 2011, 2012 and most of 2013, miners fell whilst the rest of the equity market was positive. 2014 saw stabilisation in miners' equity performance and in 2015 miners have remained weak, but for the first time this has been against a falling broader market. The correlation between miners and the rest of the market for Australia's ASX200 index (ie Resources vs Industrials) was negative during calendar years 2011-14. Year to date in 2015 the correlation is strongly positive ($r^2 = 0.72$), signifying that miners are no longer 'falling out of bed'. Combined with signals from liquidity indicators, there is a very strong sense that the sentiment of a bust is now passed. Although it is too early yet to call the next boom, this shift in sentiment strongly suggests the mining sector is now passing through the base of the cycle.

GLOSSARY OF TERMS

'Minerals Industry' (also Extractive Industry) – Defined as encompassing those engaged in exploring for, extracting, processing and marketing **'Minerals'**.

'Price' – The amount paid for a good or service and it is a historical fact. It has no real relationship with 'Value', because of the financial motives, capabilities or special interests of the purchaser; and the state of the market at the time.

Personal Property – Covers all items other than '**Real Estate**' and may be tangible (like a chattel or goods) or intangible (like a patent or debt). It has a moveable character.

'Real Property' – A non-physical, legal concept and it includes all the rights, interests and benefits related to the ownership of '**Real Estate**' and normally recorded in a formal document (eg, deed or lease). The rights are to sell, lease, enter, bequeath, gift, etc. There may be absolute single or partial ownership (subject to limitations imposed by Government, like taxation, planning powers, appropriation, etc). These rights may be affected by restrictive covenants or easements affecting title; or by security or financial interests, say conveyed by mortgages.

'Real Estate' – A physical concept, including land and all things that are a natural part of the land (eg, trees and Minerals). In addition it includes all things effectively permanently attached by people (eg, buildings, site improvements, and permanent physical attachments, like cooling systems and lifts) on, above or below the ground.

VALUATION AND VALUE

'Value' (also Valuation which is the result of determining 'Value') - The estimated likely future 'Price' of a good or service at a specific time, but it depends upon the particular qualified type of value (eg 'Market Value', 'Salvage Value', 'Scrap Value', 'Special Value', etc). There is also a particular value for tax and rating, or insurance purposes.

'Market Value' (IVS Definition) – The result of an objective Valuation of specific identified ownership rights to a specific asset as at a given date. It is the value in exchange not '**Value-in-Use**' set by the market place. It is the *"estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently, and without compulsion"*.

'Fair Value' (IVS definition) – An accountancy term used for values envisaged to be derived under any and all conditions, not just those prevailing in an open market for the normal orderly disposal of assets. Being a transaction price it reflects both existing and alternative uses, too. It is also a legal term for values involved in dispute settlements which may not also meet the strict '**Market Value**' definition. Commonly, it reflects the service potential of an asset ie, value derived by DCF/NPV analysis, not merely the result of comparable sales analysis. It is still the *"amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction"*.

'Highest-and-Best-Use' – for physical property, it is the reasonably probable and legal use of property, which is physically possible, appropriately supported and financially feasible, that results in the highest value. In the case of personal property, it is the same with the additional qualification that the highest value must be in the appropriate market place, consistent with the purpose of the appraisal. It may be, in volatile markets, the holding for a future use.

'Value-in-Use' – in contrast to '**Highest-and-Best-Use**', it is the specific value of a specific tangible asset that has a specific use to a specific user. It is not market-related. The focus is on the value that a specific property contributes to the enterprise of which it is a part (being part of a '**Going Concern Valuation**'). It measures the contributory value of a specified asset(s) used within that specific enterprise, although it is not the '**Market Value**' for that individual asset. It is the Value-to-the-Owner/Entity/Business in accountancy terms and may be the lower of net current replacement cost and its recoverable amount. It is also the net present value of the expected future net cash flows from the continued use of that asset, plus its disposal value at the end of its

useful life (**'Scrap Value'**). At the **'Valuation Date'**, there must be recognition of its existing use by a particular user. This is in contrast to the alternative reasonable use to which an asset might be put by unspecified owner(s).

'Going Concern Value' – A business valuation concept rather than one relating to individual property valuation. It is the value of an operating business/enterprise (ie one that is expected to continue operating) as a whole and it includes goodwill, special rights, unique patents or licences, special reserves, etc. Apportionment of this total value may be made to constituent parts, but none of these components constitute a basis for **'Market Value'**.

'Forced Sale Value' (Liquidated Value) – The amount reasonably expected to be received from the sale of an asset within a short time frame for completion that is too short to meet the **'Market Value'** definition. This definition requires a reasonable marketing time, having taken into account the asset's nature, location and the state of the market). Usually it also involves an unwilling seller and buyers who have knowledge to the disadvantage of the seller.

'Market Capitalization' - The total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures. Frequently referred to as "market Cap" or MCap

'Enterprise Value - EV' - A measure of a company's value, often used as an alternative to straightforward market capitalization. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents. In the event of a buyout, an acquirer would have to take on the company's debt, but would pocket its cash. EV differs significantly from simple market capitalization in several ways, and many consider it to be a more accurate representation of a firm's value.

'Market Premium' - A control premium is an amount that a buyer is usually willing to pay over the current market price of a publicly traded company in order to acquire a controlling share in that company. The reason the buyer of a controlling interest is willing to offer a premium over the price currently established by other market participants is the additional prerogatives of control, including electing the company directors, firing and hiring key employees, declaring and distributing dividends, divesting or acquiring additional business assets, and entering into merger and acquisition transactions. The opposite of control premium is the minority discount.

'Investment Value' (Worth) – this is the value of a specific asset to a specific investor(s) for identified investment objectives or criteria. It may be higher or lower than **'Market Value'** and is associated with **'Special Value'**.

'Property-with-Trading-Potential' – refers to the valuation of specialised property (eg, hotel, petrol station, restaurant, etc) that is sold on an operating or going concern basis. It recognises that assets other than land and buildings are to be included in the **'Market Value'** and it is often difficult to separate the component values for land and property.

'Special Value' – An extraordinary premium over and above the **'Market Value'**, related to the specific circumstances that a particular prospective owner or user of the property attributes to the asset. It may be a physical, functional or economic aspect or interest that attracts this premium. It is associated with elements of **'Going Concern Value'** or **'Investment Value'** since it also represents synergistic benefits. In a strict sense it could apply to very specialised or special purpose assets which are rarely sold on the open market, except as part of a business, because their utility is restricted to particular users. In some circumstances, it may be the lower value given by **'Value –in–Use'**.

'Salvage Value' – The expected value of an asset at the end of its economic life (ie, being valued for salvage disposal purposes rather than for its originally intended purpose). Hence, it is the value of property, excluding land, as if disposed of for the materials it contains, rather than for its

continued use, without special repairs or adaptation.

‘Scrap Value’ (Residual Value) – The remaining value (usually a net value after disposal costs) of a wasting asset at the end of a prescribed or predictable period of time (usually the end of its effective life) that was ascertained upon acquisition.

‘Valuation Date’ - Means the reference date to which a Valuation applies. Depending on the circumstances, it could be different to the date of completion or signing of the Valuation Report or the cut-off date of the available data (VALMIN Code,).

‘Valuer’ (also Valuer [Canada] or Appraiser [USA]) – Either the ‘Expert’ or ‘Specialist’ (Qualified Person in Canada) who is the natural person responsible for the Valuation to determine the ‘Fair Market Value’ after consideration of the technical assessment of the ‘Mineral Asset’ and other relevant issues. They must have demonstrable ‘Competence’ (and ‘Independence’, when required).

JORC CODE

‘Competent Person - A ‘Competent Person’ is a minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a ‘Recognised Professional Organisation’ (RPO), as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking. If the Competent Person is preparing documentation on Exploration Results, the relevant experience must be in exploration. If the Competent Person is estimating, or supervising the estimation of Mineral Resources, the relevant experience must be in the estimation, assessment and evaluation of Mineral Resources. If the Competent Person is estimating, or supervising the estimation of Ore Reserves, the relevant experience must be in the estimation, assessment, evaluation and economic extraction of Ore Reserves. (JORC 2012)

‘Independent/Independence’ – Means that the person(s) making the Valuation have no ‘Material’ pecuniary or beneficial (present or contingent) interest in any of the ‘Mineral Assets’ being assessed or valued, other than professional fees and reimbursement of disbursements paid in connection with the assessment or Valuation concerned; or any association with the commissioning entity, or with the owners or promoters (or parties associated with them) likely to create an apprehension of bias. Hence, they must have no beneficial interest in the outcome of the transaction or purpose of the technical assessment/Valuation of the ‘Mineral Asset’ (VALMIN Code). ASIC RG112, which deals with the Independence of Expert Reports, provides more detail on this concept. (JORC 2012)

‘Exploration results’ - Exploration Results include data and information generated by mineral exploration programmes that might be of use to investors but which do not form part of a declaration of Mineral Resources or Ore Reserves. The reporting of such information is common in the early stages of exploration when the quantity of data available is generally not sufficient to allow any reasonable estimates of Mineral Resources. Examples of Exploration Results include results of outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results. (JORC 2012)

‘Exploration Target’ - An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource. Any such information relating to an Exploration Target must be expressed so that it cannot be misrepresented or misconstrued as an

estimate of a Mineral Resource or Ore Reserve. The terms Resource or Reserve must not be used in this context. (JORC 2012)

‘Inferred Mineral Resource’ - An ‘Inferred Mineral Resource’ is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration. (JORC 2012)

‘Indicated Mineral Resource’ - An ‘Indicated Mineral Resource’ is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve. (JORC 2012)

‘Measured Mineral Resource’ - A ‘Measured Mineral Resource’ is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve. (JORC 2012)

‘Modifying Factors’ - are considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. (JORC 2012)

‘Scoping Study’ - A Scoping Study is an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified. A Scoping Study must not be used as the basis for estimation of Ore Reserves. (JORC 2012)

‘Pre Feasibility Study’ - A Preliminary Feasibility Study (Pre-Feasibility Study) is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre- Feasibility Study is at a lower

confidence level than a Feasibility Study. (JORC 2012)

'Feasibility Study' - A Feasibility Study is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre- Feasibility Study. (JORC 2012)

VALMIN CODE

'Mineral(s)' – Any naturally occurring material found in or on the Earth's crust, that is useful to and/or has a value placed on it by mankind. The term specifically includes coal, shale and materials used in building and construction, but excludes crude oil and natural gas (VALMIN Code).

'Mineral Asset(s)' (Resource Assets or Mineral Properties) - All property including, but not limited to 'Real Property', intellectual property, mining and exploration tenements held or acquired in connection with the exploration, the development of and the production from those tenements; together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with those tenements. Most can be classified as 'Exploration Areas', 'Advanced Exploration Areas', 'Pre-Development Projects', 'Development Projects' or 'Operating Mines' (VALMIN Code).

'Operating Mines' – Mineral Properties, particularly mines and processing plants, which have been fully commissioned and are in production (VALMIN Code).

'Development Projects' – Mineral Properties which have been committed to production, but which are not yet commissioned or not operating at design levels (VALMIN Code).

'Advanced Exploration Areas' and 'Pre-development Projects' – Mineral Properties where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a positive development decision has not been made. Mineral Properties at the early assessment stage, those for which a development decision has been negative, those on care and maintenance and those held on retention titles are all included in this category if Mineral Resources have been identified. This is even if no further valuation or technical assessment work, delineation or advanced exploration is being undertaken (VALMIN Code).

'Exploration Areas' – Mineral Properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been identified (VALMIN Code).

'Fair Market Value' (Market Value or Value) – The object and result of the Valuation. It is the estimated amount of money (or the cash equivalent of some other consideration) for which the 'Mineral Asset' should change hands on the 'Valuation Date'. It must be between a willing buyer and a willing seller in an 'arm's length' transaction in which each party has acted knowledgeably, prudently and without compulsion. It is usually comprised of two components, the underlying or 'Technical Value' and a premium or discount, relating to market, strategic or other considerations (VALMIN Code,).

'Technical Value' – An assessment of a 'Mineral Asset's' future net economic benefit at the 'Valuation Date' under a set of assumptions deemed most appropriate by the 'Valuer', excluding any premium or discount to account for market, strategic or other considerations (VALMIN Code,).

'Expert' – Means a 'Competent' (and 'Independent', where relevant) natural person who prepares and has overall responsibility for the Valuation Report. He/she must have at least 10 years of relevant 'Minerals Industry' experience, using a relevant 'Specialist' for specific tasks in which

he/she is not **'Competent'**. An **'Expert'** must be a corporate member of an appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (*VALMIN Code*).

'Specialist' – Means a **'Competent'** (and **'Independent'**, where relevant) natural person who is retained by the 'Expert' to provide subsidiary reports (or sections of the Valuation Report) on matters on which the 'Expert' is not personally expert. He/she must have at least 5 years of suitable and preferably recent **'Minerals Industry'** experience relevant to the subject matter on which he/she contributes. A **'Specialist'** must be corporate member of appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (*VALMIN Code*).

'Material/Materiality' - with respect to the contents and conclusions of a relevant Report, it means data and information of such importance that the inclusion or omission of the data or information concerned might result in a reader of the Report reaching a different conclusion than might otherwise be the case. **'Material'** data (or information) is that which would reasonably be required in order to make an informed assessment of the subject of the Report. The Australian Society of Accountants' Standard AAS5 indicates that **'Material'** data (or information) is such that the omission or inclusion of it could lead to changes in total value of greater than 10% (between 5% and 10% it is discretionary). Also the Supreme Court of New South Wales has stated that something is **'Material'** if it is significant in formulating a decision about whether or not to make an investment or accept an offer (*VALMIN Code*).

'Transparent/Transparency' - as applied to a valuation it means, as in the Concise Oxford Dictionary, *"easily seen through, of motive, quality, etc"*. It applies to the factual information used, the assumptions made and the methodologies applied, all of which must be made plain in the Report (*VALMIN Code*).

'Competence' – it means having relevant expertise, qualifications and experience (technical or commercial), as well as, by implication, the professional reputation so as to give authority to statements made in relation to particular matters. (*VALMIN Code*).

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