

13 June 2014

The Directors
Teys Limited
24 Palmerston Road West
RINGWOOD VIC 3134

Dear Sirs,

**Independent Expert's Report on the Proposal to acquire 100% of
the Issued Share Capital of Lymex Tenements Pty Ltd**

1. INTRODUCTION

Background

- 1.1 Teys Limited ("Teys" or "the Company") is an Australian public listed company. Teys currently has no business and its shares are suspended from trading on the Australian Securities Exchange ("ASX").
- 1.2 As announced to the market on 25 February 2014, Teys has entered into a Share Purchase Agreement ("Agreement") for the acquisition of 100% of the issued capital of Lymex Tenements Pty Ltd ("Lymex"), a wholly owned subsidiary of Lymex Limited. Lymex is the owner of 8 exploration licences or "tenements" for highly prospective flake graphite, located on the Eyre Peninsula in South Australia. The tenements of Lymex are referred to as the "Oakdale Graphite Project".
- 1.3 The acquisition of Lymex by Teys and related resolutions detailed in section 2, is referred to in this report as the "Transaction". The Transaction involves the issue of Teys shares in the Company to Lymex Shareholders, and constitutes a significant change in the nature and scale of the Company's activities.
- 1.4 If the Transaction is approved, Lymex Shareholders will be entitled to maximum 68.39% voting interest in Teys's issued ordinary shares and a Lymex Shareholder, Matamin Pty Ltd, will acquire a relevant interest in the issued voting shares of Teys in excess of 20% (up to 57.68%).

Opinion

- 1.5 In our opinion, the Transaction, including the issue of Teys shares to Matamin Pty Limited, is fair and reasonable to the Non-Associated Shareholders of Teys.
- 1.6 The ultimate decision however on whether to accept the Transaction should be based on shareholders own assessment of their circumstances.

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Purpose of Report

- 1.7 You have requested Hall Chadwick Corporate (NSW) Limited (“HCC”) to prepare an Independent Expert’s Report to advise the shareholders of Teys, other than those associated with the proposed issue of Teys shares to Lymex Shareholders (“Non-Associated Shareholders”), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.
- 1.8 HCC understands and has agreed that this report will be included in or accompany the notice to convene a meeting of Teys shareholders, to assist the Non-Associated Shareholders in their consideration of the proposed Transaction.

2. OUTLINE OF THE PROPOSED TRANSACTION

- 2.1 Lymex is the owner of 8 exploration licences (“Tenements”) for highly prospective flake graphite, located on the Eyre Peninsula in South Australia. In acquiring Lymex, Teys shall have the right to explore for graphite, iron ore and base metal deposits from the Tenements and shall be entitled to mine and extract all minerals discovered on the tenements and retain the proceeds from all minerals extracted.
- 2.2 The Transaction involves the Company’s acquisition of 100% of the issued capital of Lymex through the issue of shares in Teys (on a post consolidation basis) as follows:
1. Initial Consideration Shares: 30,000,000 ordinary fully paid Teys shares at a deemed price of \$0.20 per share; and
 2. Deferred Consideration Shares:
 - a) “Deferred Consideration Tranche 1”: 7,500,000 ordinary fully paid shares in Teys to be issued to the Vendors at a deemed issue price of \$0.20 per share (on a post Consolidation basis) to be issued upon Teys announcing to the ASX that at least 10 million tonnes in total of JORC Code compliant inferred graphite resources have been delineated and defined at the Tenements grading at no less than 8% total graphitic content.
 - b) “Deferred Consideration Tranche 2”: 7,500,000 ordinary fully paid shares in Teys to be issued to the Vendors at a deemed issue price of \$0.20 per share (on a post Consolidation basis) to be issued upon Teys announcing to the ASX at least 10 million tonnes in total of JORC Code compliant indicated graphite resources plus JORC Code compliant measured graphite resources have been delineated and defined at the Tenements grading at no less than 8% total graphitic content.
 - c) “Deferred Consideration Tranche 3”: 7,500,000 ordinary fully paid shares in Teys to be issued to the Vendors at a deemed issue price of \$0.20 per share (on a post Consolidation basis) to be issued upon Teys selling at least 50% of the Company’s Iron Ore Rights for more than \$10,000,000 (excluding GST) provided such sale and receipt of the sale proceeds occurs within 36 months of the date of the Company’s listing on ASX. For the avoidance of doubt the Deferred Consideration Tranche 3 Shares are to be issued by Teys only after the receipt (without deduction) of the sum of \$10,000,000 by Teys.
- 2.3 The Company will seek shareholder approval for the consolidation of its securities on the basis of 1 share for every 72 shares currently held.
- 2.4 As a condition of the Transaction, Teys will also issue a prospectus for a capital raising to enable the Company to complete the Transaction and support its intended development strategy. The intended prospectus will be for the issue of at least 18,750,000 shares and up to 30,000,000 shares at an issue price of \$0.20 to raise a minimum of \$3,750,000 and up to \$6,000,000 (“Capital Raising”). The proceeds of the Capital Raising will be used to undertake drilling at the Oakdale Graphite Project with the objective of delineating a JORC compliant resource, to meet the costs of the Transaction and for general working capital purposes.
- 2.5 Other interdependent resolutions to be put to shareholders include:

- Conversion of Convertible Notes issued by the Company into up to 56,818,182 fully paid ordinary shares (on a pre consolidation basis, which will convert into 789,141 fully paid ordinary shares on a post consolidation basis) in the Company at \$0.00176 per share (\$0.1267 per share post consolidation).
- Conversion of loans owing by the Company into up to 69,250,000 fully paid ordinary shares (on a pre consolidation basis, which will convert into 961,806 fully paid ordinary shares on a post consolidation basis) in the Company at \$0.00278 per share (\$0.20 per share post consolidation).
- Change to the nature and scale of the Company's activities to those of Lymex, being the exploration of graphite, iron ore and base metals;
- The appointment of John Lynch, Graham White, Phillip Staveley and Andrew Harrington as Directors of the Company;
- The name of the Company to be changed to Oakdale Resources Limited.

2.6 The following tables show the effect on the share capital of Teys after the Transaction and Capital Raising:

Effect on Ordinary Shares	Number of Shares	Lymex Shareholders
Ordinary shares currently on issue	271,278,809	
Conversion of Convertible Notes	56,818,182	
Conversion of loans	<u>69,250,000</u>	
Ordinary shares on issue immediately prior to Transaction	<u>397,346,991</u>	
1:72 Share Consolidation	5,518,708	
Shares issued to acquire Lymex – Initial Consideration	30,000,000	
Minimum shares issued pursuant to Capital Raising	18,750,000	
Minimum ordinary shares on issue upon listing	54,268,708	55.28%
Shares issued to acquire Lymex - Deferred Consideration Tranche 1	7,500,000	
Shares issued to acquire Lymex - Deferred Consideration Tranche 2	7,500,000	
Shares issued to acquire Lymex - Deferred Consideration Tranche 3	7,500,000	
Ordinary shares on issue on completion of Transaction	76,768,708	68.39%

2.7 When the Transaction is approved and completed, Lymex Shareholders will be entitled to a combined relevant interest of 55.28% in Teys immediately after the Transaction, including the minimum Capital Raising, and up to 68.39% assuming the issue of all Deferred Consideration Shares.

2.8 If all of the Resolutions are passed, and the Company proceeds with the Transaction, then the relevant interest and voting power of Matamin Pty Ltd, the majority shareholder of Lymex, will increase from 0% to 46.62% immediately after the Transaction, including the minimum Capital Raising, and up to 57.68% assuming the issue of all Deferred Consideration Shares.

- 2.9 Teys's existing shareholders voting interest will decrease from 100% to 10.17% immediately after the Transaction, including the minimum Capital Raising, and down to 7.19% assuming the issue of all Deferred Consideration Shares.

STRUCTURE OF REPORT

Our report is set out under the following headings:

- 3 PURPOSE OF REPORT
- 4 OPINION
- 5 BASIS OF EVALUATION
- 6 BACKGROUND
- 7 OVERVIEW OF LYMEX
- 8 OVERVIEW OF TEYS
- 9 VALUATION METHODOLOGIES
- 10 VALUE OF LYMEX
- 11 VALUE OF TEYS
- 12 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 13 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

- I SOURCES OF INFORMATION
- II EXTRACTS FROM INDEPENDENT GEOLOGIST'S REPORT ON THE MINERAL PROPERTIES OF LYMEX
- III STATEMENT OF DECLARATION & QUALIFICATIONS
- IV FINANCIAL SERVICES GUIDE

3 PURPOSE OF REPORT

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of Teys of the fairness and reasonableness of the Transaction. This report provides an opinion on whether or not the terms and conditions in relation to the transaction are fair and reasonable to the Teys shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).
- 3.2 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.3 For the Transaction to be fair, the value of the Lymex shares being acquired must be equal to or greater than the value of the consideration, being Teys shares. To be reasonable the shareholders must obtain an overall benefit if the transaction proceeds. In forming an opinion as to whether the Transaction is fair and reasonable, the following factors have been considered:
- the underlying value of Teys shares to be issued as consideration to Lymex Shareholders;
 - the underlying value of Lymex shares to be acquired by Teys;
 - the likely market price and liquidity of Teys shares if the Transaction is not implemented;
 - the likelihood of an alternative proposal that could realise better value for Teys Shareholders.
- 3.4 This report has been prepared to satisfy the requirements of the Corporations Act 2001 (Cth) ("Corporations Act") and the Australian Stock Exchange ("ASX") Listing Rules.

Corporations Act Requirements

- 3.5 When the Transaction is approved and completed, Lymex Shareholders will be entitled to a combined relevant interest of 55.28% in Teys immediately after the Transaction, including the minimum Capital Raising, and up to 68.39% assuming the issue of all Deferred Consideration Shares. The voting power in Teys of Matamin Pty Ltd, the majority shareholder of Lymex, will increase from 0% to 46.62% immediately after the Transaction, including the minimum Capital Raising, and up to 57.68% assuming the issue of all Deferred Consideration Shares.
- 3.6 Section 606(1) of the Corporations Act states that a person must not acquire an interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%. Section 606(1) prohibits Matamin Pty Ltd from acquiring the issued ordinary shares in Teys under the Transaction, unless one of the exemptions set out in Section 611 of the Corporations Act applies.
- 3.7 Item 7 of Section 611 of the Corporations Act exempts an acquisition that is approved by a resolution of shareholders of Teys passed at a general meeting as per Section 611. This

is the exception, which is being relied upon by the Teys shareholders. At the general meeting of Teys no votes will be allowed to be cast by those persons (or their associates) acquiring shares under the Transaction (that is, the existing shareholders of Lymex).

- 3.8 Section 208 of the Corporations Act specifies a public company must not give a financial benefit (including acquisition of an asset) to a related party without shareholder approval. Section 228(2) of the Corporations Act defines a related party as the following:
- Directors of the public company;
 - Directors of an entity that controls the public company;
 - If the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity;
 - Spouses and de-facto spouses of the persons referred to above.
- 3.9 Parties receiving shares in Teys as a result of the conversion of Convertible Notes include entities associated with Constantine Scrinis and Gregory Wood, related parties of Teys by reason of them being Directors of the Company. The Transaction is therefore one to which Section 208 of the Corporations Act applies. However the Company considers that the issue of shares to these related parties falls within the exception in Section 210 of the Corporations Act because the Convertible Note Agreement under which the shares were issued was negotiated on arms-length terms and on the same terms as the shares issued to unrelated Convertible Note Holders.
- 3.10 Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 “Content of Experts Reports” requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert’s report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

ASX Listing Rules

- 3.11 ASX Listing Rule 7.1 states that without the approval of holders of ordinary shares, an entity must not issue or agree to issue more equity securities than the number calculated according to the following formula:

$$(A \times B) - C$$

Where:

- A = The number of fully paid ordinary securities on issue 12 months prior to the date of agreement;
- Plus the number of fully paid ordinary securities issued under an exception in ASX Listing Rule 7.2,
 - Plus the number of partly paid ordinary securities that became fully paid in the 12 months,
 - Plus the number of fully paid ordinary securities that become fully paid in the 12 months with approval of ordinary security holders under ASX Listing Rule 7.1,

- Less the number of fully paid ordinary securities cancelled in the 12 months.

B = 15%

C = The number of equity securities issued or agreed to be issued in the 12 months before the date of the issue or agreement to issue but under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

- 3.12 The issue of ordinary securities under the Transaction will result in an issue of Tey's ordinary securities greater than allowed under the above formula. Accordingly, under ASX Listing Rule 7.1 Tey's must obtain approval from the holders of the ordinary shares.
- 3.13 ASX Listing Rule 10.11 also requires Shareholder approval to be obtained where a company 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. Certain of the Convertible Note Holders are entities controlled by persons who are related parties of the Company namely Constantine Scrinis and Gregory Wood who are currently Directors of the Company. As the entities associated with Constantine Scrinis and Gregory Wood are related parties by reason of them being Directors of the Company separate Shareholder approval under ASX Listing Rule 10.11 for the issue of the securities is required.
- 3.14 The Transaction constitutes a significant change in the nature and scale of the Company's activities. ASX Listing Rule 11.1 sets out the requirements an entity must adhere to when undergoing such a change. The entity must provide the ASX with information regarding the change and its effect on future potential earnings and must ensure shareholder approval is obtained to effect the change of activities. The Transaction is such a proposed change. ASX Listing Rule 11 does not specifically require the notice to include or be accompanied by a copy of an independent expert's report commenting on the issue.

4. OPINION

4.1 In our opinion, the proposed Transaction to acquire all of the issued shares of Lymex through the issues of Teys shares is fair and reasonable to the Non-Associated Shareholders of Teys.

4.2 Our opinion is based solely on information available as at the date of this report.

4.3 The principal factors that we have considered in forming our opinion are summarised below.

Fair

4.4 According to RG 111, for the Transaction to be fair, the value of the Lymex shares being acquired must be equal to or greater than the value of the consideration, being Teys shares.

4.4.1 Based on the analysis contained in section 10 of this report, the indicative value of 100% of Lymex is **\$5,552,977**.

4.4.2 The value of the shares being issued by Teys for 100% of Lymex is based on the values determined in section 11, as shown in the tables below:

	Low	High	Midpoint
<i>Pre Transaction, Post Consolidation</i>			
Tey's share value - controlling basis	0.091	0.139	0.115
Deferred Consideration Tranche 1	0.045	0.070	0.057
Deferred Consideration Tranche 2	0.036	0.056	0.046
Deferred Consideration Tranche 3	0.027	0.042	0.034

<i>Valuation of Consideration</i>	Shares	Low	High	Midpoint
Initial Consideration Shares	30,000,000	2,718,027	4,181,760	3,449,894
Deferred Consideration Tranche 1	7,500,000	339,753	522,720	431,237
Deferred Consideration Tranche 2	7,500,000	271,803	418,176	344,989
Deferred Consideration Tranche 3	7,500,000	203,852	313,632	258,742
		3,533,436	5,436,288	4,484,862

¹ The Transaction includes the Prospectus Capital Raising at \$0.20 each. As the offer price is above the Teys share value determined above, the Capital Raising will not have a negative effect on the Non-associated Shareholders.

4.4.3 Our valuation of Teys shares is based on a value prior to the Transaction on a controlling interest basis. In order to assess whether the Transaction is fair, we also need to compare the pre-transaction value on a control basis with the post-transaction value on a minority basis, as the existing Non-Associated Shareholders of Teys will lose control of the Company to the Vendors after the Transaction. This is shown in the table below:

Teys Value and Opinion	Low	High	Midpoint
Control value per share, pre Transaction, post consolidation	\$ 0.091	\$ 0.139	\$ 0.115
Post Consolidation shares on issue	5,518,708	5,518,708	5,518,708
Control valuation of Teys, pre-Transaction	500,000	769,264	634,632
Valuation of Lymex	5,552,977	5,552,977	5,552,977
Proceeds from Capital Raising ¹	3,750,000	3,750,000	3,750,000
Post-Transaction Value	9,802,977	10,072,241	9,937,609
Post-Transaction shares on issue	76,768,708	76,768,708	76,768,708
Value per share	0.128	0.131	0.129
Minority discount ^{refer section 9.4}	10%	10%	10%
Post-Transaction Valuation per share	\$ 0.115	\$ 0.118	\$ 0.117

¹ The Capital Raising has been included in the above table as it is a condition precedent of the Transaction. If the Capital Raising is not approved and completed, the acquisition of Lymex does not occur either. We therefore have to consider its effect on the value of Teys and the shares on issue in Teys as part of the Transaction.

- 4.5 In our opinion the Transaction is **fair** based on the following:
- The value attributed to Lymex of \$5,552,977 exceeds the value range for the consideration being paid by Teys, with a midpoint of \$4,484,862. This would also be the case even if the Deferred Consideration shares were valued at nil.
 - The value of the Teys shares held by Non-Associated Shareholders increases as a result of the Transaction.

Reasonable

- 4.6 ASIC Regulatory Guide 111 states that a transaction is reasonable if:
- The Transaction is fair; or
 - Despite not being fair the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.
- 4.6.1 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors:
- Given the Company's limited capital and lack of income producing assets it will have difficulty in creating significant long-term value for shareholders. The Directors of Teys have determined that Lymex has the potential to increase Teys shareholder value and provide the Company with a future business direction. Based on currently available information, the Directors are of the view that the Lymex assets have significant potential to host commercially-valuable mineral deposits.
 - The Directors consider that the current board and management team of Lymex possess the experience and skills required to successfully transition the Company into its proposed new business, which includes exploration and potential development of Lymex's mineral resource projects.
 - Completion of the Transaction will assist in enabling the Company to apply to the ASX to have its suspension of share trading removed and allow its shares to be traded

on the ASX, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.

- The Capital Raising is a condition of the Transaction and will provide the necessary working capital to facilitate the initial development of the Lymex assets.
- The Company may be able to raise further funds in the future at higher prices by way of share equity as a result of the Transaction.
- We are unaware of any alternative proposal at the date of this report that would realise better value for Teys shareholders.
- In the event the Capital Raising is not successful, the Transaction will not proceed and the Company will still incur professional fees of \$100,000 - \$150,000.

Having considered that the Transaction is fair, the potential of the Lymex assets, and the alternatives of not proceeding with the Transaction, in our opinion the Shareholders of Teys should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is reasonable.

4.7 *Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of Teys.*

5 BASIS OF EVALUATION

- 5.1 In our assessment of whether the Transaction is fair and reasonable to Teys Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired (in this case 100% of the equity in Lymex) is equal to or greater than the value of the consideration being offered (in this case, Teys shares). Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair. It is possible for an offer to be reasonable despite being unfair. This would be after the expert considers that, based on non-financial factors, the shareholders should still approve the Transaction in the absence of any alternative proposals.
- 5.3 Our report has compared the likely advantages and disadvantages to non-associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the shares to be acquired under the Transaction and the value of the consideration to be paid is only one element of this assessment.
- 5.4 We have considered whether any shareholder will obtain a level of control in Teys as a result of the proposed Transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case Lymex Shareholders will obtain control of Teys and this issue needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being paid.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of 100% of the equity of Lymex and Teys.
- 5.6 In evaluating the Transaction, we have considered the value of the Lymex shares being acquired and compared this to the amount of consideration to be paid through the issue of Teys shares for this acquisition. We consider that the Transaction will be fair and reasonable if, on balance, the Non-Associated Shareholders in Teys will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 5.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of Lymex and Teys;
 - The value of Lymex shares, under various methodologies;
 - The value of Teys shares, under various methodologies;

- Any control premium associated with the Transaction;
 - The advantages and disadvantages associated with approving the Transaction;
 - Share trading history of Teys shares;
 - The likely value and liquidity of Teys shares in the absence of the acquisition;
 - Other qualitative and strategic issues associated with the Transaction.
- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.
- 5.9 We understand the accounting and other financial information provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.11 HCC are not the auditors of Teys or Lymex. We have analysed and reviewed information provided by the Directors and management of Teys and made further enquiries where appropriate.
- 5.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report. To the extent we become aware of a material change in circumstances since the date of our report, we will issue a supplementary report at the request of Teys if so required.

6 BACKGROUND

- 6.1 On 25 February 2014 The Directors of Teys announced the intention to acquire the Oakdale Graphite Project and other exploration assets held in Lymex, a public unlisted Australian exploration company whose Managing Director John Lynch will, subject to shareholder approval of the Transaction, become Managing Director of Teys, which will be renamed Oakdale Resources Limited.
- 6.2 The Oakdale Graphite Project is located on the Eyre Peninsula in South Australia. The tenement package being acquired comprises 8 exploration tenements covering a large area of approximately 2,008 km². In acquiring Lymex, Teys will have the right to explore for graphite, iron ore and base metal deposits and shall be entitled to mine and extract all minerals discovered on the tenements and retain the proceeds from all minerals extracted. Further information on Lymex's business operations can be found at Section 7 of this report.
- 6.3 The proposed acquisition of Lymex constitutes a significant change in the nature and scale of the Company's activities of the type contemplated by Chapter 11 of the ASX Listing Rules. As a result of changing the nature of its activities, various aspects of the transaction will need to be approved by Shareholders and the requirements of Chapters 1 and 2 of the ASX Listing Rules will need to be complied with.
- 6.4 The Teys board believes these acquisitions represent an attractive opportunity to acquire a large scale tenement of a highly prospective flake graphite project with the potential to generate significant shareholder value in the future.
- 6.5 The consideration comprises the issue of shares in Teys, a large portion of which (43%) are performance based and tied to the evaluation success and ultimately delivery of a JORC resource at the Oakdale Graphite Project.
- 6.6 Following is a summary of the experience and skills of Lymex's managing director, John Lynch, to be appointed to the board of Teys, as provided by Lymex:

John Lynch, Managing Director

Currently a director of Lynch Mining Pty Ltd, John has previously held numerous directorships and general manager positions with mineral exploration and mining companies, Pan Australia Mining Limited and Weda Bay Minerals Inc, and has held exploration management positions at Marathon Petroleum Australia Ltd, Metals Exploration Limited and North Broken Hill Limited. John is a member of the Australian Institute of Geoscientists and Fellow of the Australian Institute of Mining and Metallurgy.

7. OVERVIEW OF LYMEX

7.1 Company and Industry Overview

- 7.1.1 Lymex is a registered Australian proprietary company and the owner of 8 tenements or exploration licences (“EL”) for highly prospective flake graphite, located on the Eyre Peninsula in South Australia, known as the Oakdale Graphite Project.
- 7.1.2 Graphite is mainly used in the steel and automotive industries. The industrialisation of China, India and other major emerging economies has seen demand for graphite continue to rise. New applications have the potential to significantly increase demand for graphite. The lithium ion battery market is seen as one of the most important growth markets for natural flake graphite. Graphite is a significant component of the battery's anode and there is up to 10 times more graphite than lithium in a lithium ion battery. Other new applications for graphite include fuel cells and nuclear power.
- 7.1.3 Sales contracts for graphite are by private treaty. Industry prices are surveyed and published by Industrial Minerals Magazine. Prices of high quality graphite rose from approximately US\$600 per tonne to US\$3,000 per tonne between 2004 and 2011. As a general rule the larger the graphite flake the higher the price received¹. Current pricing is approximately \$2,100/t for +50 mesh concentrates, \$1,300/t for +80 large mesh, \$1,100/t and \$900/t for -100 and -150 medium and small flake respectively, and less than \$500/t for -150 mesh fines².
- 7.1.4 The Lymex Tenements are located between 120km and 160km north of Port Lincoln in the Gawler Craton on the Eyre Peninsula in South Australia. The tenement package comprises:
- EL4244 (Sheringa)
 - EL4231 (Kapinnie);
 - EL4243 (Lock);
 - EL4537 (Brimpton Lake);
 - EL4895(Tungketta Hill);
 - EL4442 (Mt Hope);
 - EL4172 (Brooker);
 - EL4768 (Hillside); and
- 7.1.5 In acquiring the Tenements Teys shall have the right to explore for graphite and all other mineral deposits.
- 7.1.6 Anglo American Exploration (Australia) Pty Limited (“Anglo”) in a previous Joint Venture with Lymex negotiated a 1.5% net-smelter-return royalty, applicable to ELs 4172, 4231 and 4537. Under the terms of the Agreement, Teys shall assume the royalty obligations to Anglo in so far as they relate to the graphite and base metal resources on the EL's.

¹ Patersons Research 23 August 2012

² <http://www.azomining.com/news.aspx?newsID=9811>, <http://northerngraphite.com/>, May 2014

7.2 Project Highlights

7.2.1 Following is a summary of the Lymex tenements and exploration results based on information compiled and/or reviewed by Mr John Lynch, managing director of Lymex and a member of the Australian Institute of Geoscientists and Fellow of the Australian Institute of Mining and Metallurgy. We are advised that Mr Lynch has sufficient experience which is relevant to the activity being undertaken to qualify as a "Competent Person"; as defined in the 2012 edition of the Australasia" Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The summary of the project includes:

- a) Acquisition of a highly prospective flake graphite project located on the Central Eyre Peninsula in South Australia comprising 8 tenements and covering approximately 2,008km².
- b) Oxidised, weathered graphitic units approximately 40 metres thick sitting within a graphite-bearing zone greater than 200m wide. Initial metallurgical results show graphite to be coarsely crystallised with a high component of flake graphite.
- c) Metallurgical test work on the oxide zone has recovered high grades up to 48.5% Graphitic carbon ("Cg") with large flake graphite up to 1000 micron.
- d) Diamond drilling into the primary zone has shown the graphitic schist to be in excess of 200m thick (down hole) with significant results including 33.9m at 8.39% Cg.
- e) Excellent accessible infrastructure - 120 km from active port, available source of electricity (grid) and good network of near project sealed roads.
- f) The Oakdale Graphite project and associated exploration tenements are readily accessible all year round via a network of sealed and weatherproofed roads, are close to excellent accessible infrastructure with a port only 120km from the project and have available sources of grid electricity. The projects are all located on freehold land.
- g) Extensive work carried out by Lymex has shown that the average cover thickness is only approximately 36m and that the geological age is around 2,540 million years which is a highly prospective geological age worldwide.
- h) Significant exploration work has already been undertaken on the tenements and specifically the Oakdale Graphite Project (EL 4537). This includes magnetic surveys, airborne EM, aircore drilling, RC drilling, and diamond drilling. Petrographical work, assaying and metallurgical studies have been integrated into this exploration.
- i) Results received to date indicate that the graphite mineralisation occurs in the hanging wall of a potential volcanogenic hosted massive sulphide system. The graphite mineralisation has been identified in numerous wide spaced diamond drill holes over 1500m apart. Where drilled the graphite occurs interbedded with schists and basic volcanics over a thickness in excess of 200 metres. Initial metallurgical testing of the oxidised graphite material shows carbon assays of up to 48.5% and good recoveries of coarse flake and flake graphite. The area is underexplored and represents an opportunity for the discovery of significant high value mineral deposits.
- j) Exploration has identified base metal mineralisation at Malache where wide low grade, low iron zinc mineralisation together with associated lead, copper, silver trace germanium, gallium and indium has been identified associated with a major shear system.
- k) Exploration has also identified iron mineralisation at Bramfield where seven diamond drill holes have been drilled and magnetite iron mineralisation has been intersected with thicknesses of up to 63 metres and grades of up to 40% iron. The magnetic anomaly associated with this mineralisation is 2,700 metres in length.

- l) Exploration Drilling Results: A diamond drilling programme was carried out between 2003 and 2005 with Anglo American Pty. Ltd. to explore and test an electromagnetic anomaly associated with anomalous copper and zinc which identified extensive graphite-rich units within the tenements.

Work focused on the area surrounding diamond drill holes BLDD02 and BLDD03 which are approximately 400 metres apart. Lymex re-assayed these holes in 2012 and assays of the primary zone included:

- BLDD02: Intersected 39.3 metres at 3.87% Cg from 166 metres including 30.6 metres of graphitic schist averaging 4.75% Cg; and 19 metres at 5.38% including 16.4 metres at 6.2% Cg;
 - BLDD03: Intersected 57 metres at 4.9% Cg from 63 metres including 33.9 metres at 8.39% Cg
- m) The Company's intention is to undertake an electromagnetic survey followed by near surface drilling in the oxide zone identified in BLD0002 and BL0003 with the objective to identify and delineate significant near surface oxidized graphite with a high percentage of coarse flake graphite.

7.3 Geological Report

- 7.3.1 Veronica Webster Pty. Limited ("VWPL") has provided an Independent Geologist's Report ("IGR") on the Mineral Properties of Lymex in the Eyre Peninsula, South Australia. Extracts from the IGR are included at Appendix II.
- 7.3.2 Mr. L W Davis, who is a duly authorised representative and director of VWPL, has supervised the preparation of the IGR. Mr Davis has had over 40 years' experience in the minerals industry, is a registered Chartered Professional (Geology) and is affiliated with The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. He specialises in mineral resource/reserve estimations, advanced project assessment and exploration management.
- 7.3.3 The IGR did not include a valuation of Lymex assets due to their early stage of exploration and development.
- 7.3.4 The IGR includes the following summary comments from VWPL:

"In VWPL's opinion Lymex has a satisfactory and clearly defined exploration and expenditure program, which is reasonable having regard to its stated objectives. Allowance has been made for successful first-year programs and high expenditures on follow-up activity in the second year.

The proposed programs carry fundamental risks for this style of speculative activity. In the view of VWPL the programs are fully justified."

7.4 Financial Information

- 7.4.1 Lymex has no material assets or liabilities other than the 8 exploration tenements detailed above. Costs capitalised relating to the purchase and development of the Lymex tenements totalled \$5,650,358 as at 31 December 2013, as set out below in the unaudited Statement of Financial Position of Lymex as at 31 December 2013.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	As at 31 December 2013
CURRENT ASSETS	
Cash and cash equivalents	105
Trade and other receivables	2,558
Other current assets	100
	<u>2,763</u>
NON-CURRENT ASSETS	
Investment Tenements Purchase	3,777,925
Other investments in Tenements	1,872,433
	<u>5,650,358</u>
TOTAL ASSETS	5,653,121
CURRENT LIABILITIES	
Trade and other payables	56,431
	<u>56,431</u>
NON-CURRENT LIABILITIES	
Trade and other payables	43,713
	<u>43,713</u>
TOTAL LIABILITIES	100,144
NET ASSETS	5,552,977
EQUITY	
Issued capital	100
Retained earnings	5,552,877
TOTAL EQUITY	5,552,977

- 7.2.2 Lymex assets are not yet producing any revenue. The positive retained earnings primary resulted from a forgiveness of debt by Lymex Limited, Lymex's parent entity, totalling \$5,595,018 in the financial year ended 30 June 2013. The loan arose as funds used for the purchase and development of the Lymex tenements were met by Lymex Limited. As Lymex and Lymex Limited are a wholly owned group and consolidated for income tax purposes, the write off of the intercompany loan had no taxation consequences.

8. OVERVIEW OF TEYS

8.1 Corporate Overview

- 8.1.1 Tey's was officially listed on the ASX on 17 December 1998 and previously operated a strata management business.
- 8.1.2 Tey's does not currently carry on any business activities and has been in the process of identifying suitable acquisitions, which would enable directors to recapitalise the company.

8.2 Financial Information

- 8.2.1 The Company made a loss after income tax in the last two financial years ended 30 June 2012 and 30 June 2013 of \$12,551 and \$20,498 respectively. As the Company has not operated for several years now, and only incurred administrative expenses in that time, a detailed statement of financial performance has not been included.
- 8.2.2 Set out below is the Reviewed Consolidated Statement of Financial Position of Tey's as at 31 December 2013.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	As at 31 December 2013 Reviewed
<u>CURRENT ASSETS</u>	
Cash and cash equivalents	10
	<u>10</u>
<u>CURRENT LIABILITIES</u>	
Trade and other payables	78,460
Borrowings	100,000
	<u>178,460</u>
NET ASSETS	(178,450)
<u>EQUITY</u>	
Issued capital	26,596,792
Accumulated losses	<u>(26,775,242)</u>
TOTAL EQUITY	(178,450)

- 8.2.3 The auditor's December 2013 review report for Tey's contained an Emphasis of Matter in relation to the going concern of the Company. The auditors review report stated that "the ability of the disclosing entity to continue as a going concern is dependent on the successful completion of the proposed Capital Raising."
- 8.2.4 Subsequent to 31 December 2013 the Borrowings (representing Convertible Notes) and current payables (representing predominantly loans from directors) will be converted to shares in Tey's as detailed at section 2.5. Therefore immediately prior to the Transaction the net assets of Tey's will be nil.

9 VALUATION METHODOLOGIES

9.1 Selection of Methodology

9.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to Teys shares and Lymex shares.

9.1.2 In assessing the value of Teys and Lymex we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Discounted Cash Flow: the net present value of future cash flows;
- Comparable Market Transactions: the identification of comparable sale transactions.

We consider each of these valuation methodologies below.

9.1.3 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- The liquidity of the quoted equity based on the volume and frequency of trading;
- The number of ‘unusual’ and/or ‘abnormal’ trades that occur; and
- The timing and level of dissemination of information to the market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the ‘fair’ market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

This method is not appropriate for Teys as its shares are currently suspended from trading.

This method is not appropriate for Lymex as its shares are not listed or publicly traded.

9.1.4 Realisation of Assets

The net assets or cost based approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity. The net asset value is determined by marking every asset and liability on and off the company's Statement of Financial Position to current market values.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital. It is often used as a cross check to assess the relative riskiness of the business.

The notional realisation of assets has been adopted to assess the net realisable value of Teys, inclusive of a control premium for the value of its public listing.

Lymex comprises assets that are in their early stages of exploration and development with no historical earnings. Their value may change significantly as exploration and evaluation activities progress. The Company has determined that it is not necessary to conduct a valuation of the tenements for the purposes of this report and accordingly have not engaged a geological expert to conduct such a valuation. The main assets of Lymex are the capitalised costs relating to the purchase and development of the Lymex tenements. We have therefore applied the realisation of assets approach to assess the value of Lymex.

9.1.5 Capitalisation of Future Maintainable Earnings

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiple of earnings. The multiple is a coefficient, representing the risk that the business may not achieve forecast earnings. This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

This method is not considered appropriate for the valuation of Teys as:

- Teys does not have any recent historical earnings on which to base a valuation;
- The company has previously been involved in services which do not relate to the proposed business activity.

This method is not considered appropriate for the valuation of Lymex as the exploration assets it holds are not currently contributing to earnings. It therefore does not have any historical earnings on which to base a valuation.

9.1.6 Discounted Cash Flow – Net Present Value

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flows that will be earned from the business over its life. The cash flows are discounted to reflect the risk involved with achieving the forecast cash flows.

Management of Lymex are unable to forecast future cash flows from its exploration assets with sufficient confidence and verification.

Neither Lymex nor Teys have prepared forecast cash flows, therefore a value cannot be placed on Teys or Lymex using the discounted cash flow method.

The future profits of Lymex are dependent on the successful exploration and development of its tenements. Directors have advised that at this stage they are unable to provide reliable cash flow forecasts on which to base a valuation and a cash flow valuation approach is not appropriate.

9.1.7 *Comparable Market Transactions*

This methodology involves the identification of comparable transactions or share issues in the company or in a similar business or asset to that being valued.

We have considered the value at which borrowings in Teys were recently converted into shares in assessing the current market value of Teys shares.

We are not aware of any alternative offers or transactions for the acquisition of the shares in either Lymex or Teys.

9.1.8 *Financial information relied upon in applying selected valuation methods*

We have reviewed financial information of Teys and Lymex. Ultimately, the management of the respective companies are responsible for the preparation and presentation of the financial information provided. The purpose of our review is to establish that the financial information used is not materially misstated. This review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

9.2 **Premium for Control**

9.2.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the Transaction. A premium for control is the difference between the price for each share that a buyer would be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the listed market value of the shares. This reflects the fact that:

- a) the owner of a controlling interest in the shares in a company obtains access to all free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder;
- b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;
- c) the controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company;
- d) the entity taking over the company is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

- 9.2.2 Empirical evidence indicates that the average premium for control (over and above the market price of the company's shares) in successful takeovers in Australia generally range between 20% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). However, the appropriate premium for control depends on the specific circumstances and, in particular, the level of synergy benefits able to be extracted by potential acquirers and the degree of confidence about the level and achievability of potential synergies and their timing.
- 9.2.3 Caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply a premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through a capital raising.
- 9.2.4 A shareholder or group of associated shareholders are deemed to influence a company when they have control of more than 20% of the issued shares in a company. At this time a premium for control should normally be considered.
- 9.2.5 A premium for control is relevant to the Transaction, as it may result in Lymex Shareholders being entitled to a voting interest of up to 68.39% of Teys's issued ordinary shares.
- 9.2.6 Our experience suggests the value of a listed company is between \$400,000 and \$700,000 depending on the subsequent regulatory needs, including compliance with ASX listing requirements. We have included a premium for control in valuing the Company's listing at \$500,000 when applying the net realisation of assets method, as a proxy for the value of a public listed shell company.
- 9.2.7 We have applied a premium for control of 10% to the value of Teys shares in our assessment of the value of Teys under the comparable transactions approach, based on the following:
- a) Teys has no current profitable business operation and has incurred losses in prior years;
 - b) Teys has no material surplus assets;
 - c) No free cash flows are available to be extracted by Lymex Shareholders from obtaining control of Teys; and
 - d) Part of the value for control is reflected in the value of the shell company which is only acquired if it comes with cash.

9.3 Minority Interest Discount

- 9.3.1 The value of a minority shareholding is subject to a discount factor as the minority shareholder is not in a position to direct, and often not in a position to influence, the distribution of dividends, the investment of retained profits or the strategy or tactics of the company's operations.

9.3.2 Teys's existing shareholders voting interest will decrease from 100% to 10.17% immediately after the Transaction, including the minimum Capital Raising, and down to 7.19% assuming the issue of all Deferred Consideration Shares. We have discounted the post-Transaction value per share on a control basis by 10% to arrive at a post-Transaction value on a minority basis. We believe this discount is reasonable after considering the following factors:

- a) Teys is a listed public company where the shares held by Non-Associated shareholders are still able to be traded in an open market;
- b) Teys will have no other business activity immediately prior to completion of the Transaction, following the intended rollout of its existing investments. There are no profitable operations in which Non-Associated shareholders are losing control of;
- c) The assessment of advantages and disadvantages associated with Teys entering into the Transaction as detailed at section 12.

10 VALUE OF LYMEX

10.1 General

10.1.1 This section sets out our assessment of the underlying value of Lymex.

10.1.2 We have selected the realisation of assets as the valuation methodology for Lymex as detailed in section 9.

10.1.3 We have been limited to the above valuation methodology for Lymex as the assets held by Lymex are not currently contributing to earnings and Lymex has not commissioned any industry expert to value its assets.

10.2 Realisation of Assets

10.2.1 Lymex has no material assets or liabilities other than its 8 exploration tenements. Net assets as at 31 December 2013 total \$5,552,977 as detailed as section 7.4. Net assets predominantly comprise costs capitalised relating to the purchase and development of the Lymex tenements totalling \$5,650,358 as at 31 December 2013.

10.2.2 We conclude that the value of Lymex under the realisation of assets approach is **\$5,552,977**.

10.3 Conclusion on the Value of Lymex

10.3.1 We are of the opinion that the realisation of assets valuation of Lymex provides a reasonable value of the company as it reflects the total capitalised investment Lymex has made in its assets.

10.3.2 For the purpose of this report we conclude that the value of Lymex is **\$5,552,977**.

11 VALUE OF TEYS

11.1 General

11.1.1 This section sets out our assessment of the underlying value of Tey's shares.

11.1.2 We have selected the comparable transactions and realisation of net assets as the valuation methodologies for Tey's as detailed in section 9.

11.2 Comparable Transactions

11.2.1 The Convertible Notes currently on issue in the Company will convert into fully paid ordinary shares at \$0.00176 per share (\$0.1267 per share post consolidation). We believe this price is a reasonable reflection of the current value of the Tey's shares.

11.2.2 We have chosen a premium for control of 10%, as determined at section 9.2, to reflect the value that a potential investor is willing to pay to obtain a controlling interest in the Company. Inclusive of a 10% premium for control, the value of the Tey's shares under the comparable transactions approach is \$0.00194 per share pre consolidation or **\$0.139 per share** post consolidation.

11.3 Realisation of Assets

11.3.1 Tey's has no business activity prior to completion of the Transaction. The notional realisation of assets is therefore an appropriate valuation method for the assets of Tey's.

11.3.2 Our experience suggests the value of a listed company is between \$400,000 and \$700,000 depending on the subsequent regulatory requirements, including necessary compliance with ASX listing requirements. Allocating a value for the listed company shell of \$500,000, which effectively represents a premium for control, would increase the current net asset backing of Tey's on a controlling interest basis as follows:

Net assets	- (refer to section 8.2.4)
Value of listing	<u>500,000</u>
Net realisation of assets	500,000

11.3.3 Following the conversion of all remaining debt in Tey's into shares, Tey's will have 397,346,991 ordinary shares on issue. Prior to the Transaction, the net asset backing per share is therefore \$0.00126 on a controlling interest basis pre consolidation, or **\$0.091 per share** post consolidation.

11.4 Conclusion on the Value of Tey's Shares

11.4.1 The current value of Tey's shares on a controlling basis, post consolidation is shown below:

Value of Shares			
Comparable transactions			0.139
Realisation of assets			0.091
	Low	High	Midpoint
Range selected	0.091	0.139	0.115

11.5 Value of Deferred Consideration

11.5.1 The Transaction includes the following Deferred Consideration Shares:

- a) “Deferred Consideration Tranche 1”: 7,500,000 ordinary fully paid shares in Teys to be issued to the Vendors at a deemed issue price of \$0.20 per share (on a post Consolidation basis) to be issued upon Teys announcing to the ASX that at least 10 million tonnes in total of JORC Code compliant inferred graphite resources have been delineated and defined at the Tenements grading at no less than 8% total graphitic content.
- b) “Deferred Consideration Tranche 2”: 7,500,000 ordinary fully paid shares in Teys to be issued to the Vendors at a deemed issue price of \$0.20 per share (on a post Consolidation basis) to be issued upon Teys announcing to the ASX at least 10 million tonnes in total of JORC Code compliant indicated graphite resources plus JORC Code compliant measured graphite resources have been delineated and defined at the Tenements grading at no less than 8% total graphitic content.
- c) “Deferred Consideration Tranche 3”: 7,500,000 ordinary fully paid shares in Teys to be issued to the Vendors at a deemed issue price of \$0.20 per share (on a post Consolidation basis) to be issued upon Teys selling at least 50% of the Company’s Iron Ore Rights for more than \$10,000,000 (excluding GST) provided such sale and receipt of the sale proceeds occurs within 36 months of the date of the Company’s listing on ASX.

11.5.2 Deferred Consideration effectively represents an option or right for Lymex Shareholders to receive further shares in Teys should the above events occur. The value of this right is the value of the Teys share, adjusted for the probability of the above events occurring.

11.5.3 Based on information provided by Teys, Lymex and their advisers, the likelihood of each of the above milestones being achieved has been estimated to be a 50% probability for Tranche 1, 40% probability for Tranche 2 and 30% for Tranche 3. The following information has been provided by Lymex management in relation to the milestones:

“These milestones are achievable but the ability to achieve them is very dependent on technical success. This is still an exploration play and as such, only few exploration plays lead to an economic mineable resource. Particular hurdles to overcome are as follows:

- There are only two widely spaced holes in the area where Lymex has interpreted the oxide resource to exist.
- Lymex has two deep holes within the primary zone, below the interpreted oxide resource, that indicate that graphite should exist in the potential oxide resource area.
- Metallurgical testing of the primary (fresh) graphitic material recovered mainly amorphous (low grade) graphite which is of less economic value.
- Metallurgically Lymex has recovered flake graphite in two shallow holes drilled specifically to obtain metallurgical samples in the oxidised zone. The metallurgical results, while encouraging, are well short of the +90% recovery and well short of the +95% carbon required for economic exploitation, thus much more detailed extensive metallurgical studies will have to be undertaken to establish if +90% recovery and +95% carbon can be achieved.

- The average grade of the graphite in the primary ore is less than 7% carbon. Lymex are relying on a geological interpretation that this percentage grade of carbon will be upgraded by natural processes to 8% carbon in the oxidised zone. At this time we have no proof that this upgrading will happen.
- The price of flake graphite is at a high level and many other companies are attempting to supply this market. Being that the graphite market is currently only 1.5m tonnes per annum in total, then the first companies to achieve production of high grade, flake graphite will be the winners. There is also a real danger that with increased supply, the current price is not sustainable, so even before Lymex reach these milestones, the deposit may be uneconomic due to either a saturated market or a collapse in the graphite price.
- Lymex are subject to Government rules and regulations and also Environmental Impact Studies, all of which could interfere with this project being economic before milestones are reached.”

11.5.4 Therefore, applying the relevant discounts to the Teys share value determined above would result in a valuation range for the Deferred Consolidation shares as follows:

		Low	High	Midpoint
Tey's shares value - controlling basis		0.091	0.139	0.115
Deferred Consideration Tranche 1	50%	0.045	0.070	0.057
Deferred Consideration Tranche 2	40%	0.036	0.056	0.046
Deferred Consideration Tranche 3	30%	0.027	0.042	0.034

12 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

12.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

12.2 Advantages of the Transaction

- 12.2.1 Given the Company's limited capital and lack of income producing assets it will have difficulty in creating significant long-term value for shareholders. The Directors of Teys have determined that Lymex has the potential to increase Teys shareholder value and provide the Company with a future business direction. Based on currently available information, the Directors are of the view that the Lymex assets have significant potential to host commercially-valuable mineral deposits.
- 12.2.2 The Directors consider that the current board and management team of Lymex possess the experience and skills required to successfully transition the Company into its proposed new business, which includes exploration and potential development of Lymex's mineral resource projects.
- 12.2.3 Completion of the Transaction will assist in enabling the Company to apply to the ASX to have its suspension of share trading removed and allow its shares to be traded on the ASX, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.
- 12.2.4 The Capital Raising is a condition of the Transaction and will provide the necessary working capital to facilitate the initial development of the Lymex assets.
- 12.2.5 The Company may be able to raise further funds in the future at higher prices by way of share equity as a result of the Transaction.

12.3 Disadvantages of the Transaction

- 12.3.1 There may be other opportunities Teys will not be able to undertake to realise the value of its listing if it accepts this Transaction due to the controlling interest being obtained by Lymex.
- 12.3.2 The Company will be changing the nature of its activities to become a company specialising in the exploration and mining of graphite, which may not be consistent with the objectives of Shareholders and will reduce the possibility of alternative opportunities for the Company.
- 12.3.3 The Company will be required to invest significant funds in the exploration activities on the Tenements and to meet the relevant holding costs for the Tenements including rents and exploration requirements.
- 12.3.4 Teys's existing shareholders voting interest will decrease from 100% to 10.17% immediately after the Transaction, including the minimum Capital Raising, and down to 7.19% assuming the issue of all Deferred Consideration Shares.

13 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

13.1 Fairness

13.1.1 According to RG 111, for the Transaction to be fair, the value of Lymex shares being acquired must be equal to or greater than the value of consideration, being Teys shares.

13.1.2 Based on the analysis contained in section 10 of this report, the indicative value of 100% of Lymex is **\$5,552,977**.

13.1.3 The value of the shares being issued by Teys for 100% of Lymex is based on the values determined in section 11, as shown in the tables below:

<i>Pre Transaction, Post Consolidation</i>	Low	High	Midpoint
Tey's share value - controlling basis	0.091	0.139	0.115
Deferred Consideration Tranche 1	0.045	0.070	0.057
Deferred Consideration Tranche 2	0.036	0.056	0.046
Deferred Consideration Tranche 3	0.027	0.042	0.034

<i>Valuation of Consideration</i>	Shares	Low	High	Midpoint
Initial Consideration Shares	30,000,000	2,718,027	4,181,760	3,449,894
Deferred Consideration Tranche 1	7,500,000	339,753	522,720	431,237
Deferred Consideration Tranche 2	7,500,000	271,803	418,176	344,989
Deferred Consideration Tranche 3	7,500,000	203,852	313,632	258,742
		3,533,436	5,436,288	4,484,862

13.1.4 Our valuation of Teys shares is based on a value prior to the Transaction on a controlling interest basis. In order to assess whether the Transaction is fair, we also need to compare the pre-transaction value on a control basis with the post-transaction value on a minority basis, as the existing Non-Associated Shareholders of Teys will lose control of the Company to the Lymex Shareholders after the Transaction. This is shown in the table below:

Tey's Value and Opinion	Low	High	Midpoint
Control value per share, pre Transaction, post consolidation	\$ 0.091	\$ 0.139	\$ 0.115
Post Consolidation shares on issue	5,518,708	5,518,708	5,518,708
Control valuation of Teys, pre-Transaction	500,000	769,264	634,632
Valuation of Lymex	5,552,977	5,552,977	5,552,977
Proceeds from Capital Raising ¹	3,750,000	3,750,000	3,750,000
Post-Transaction Value	9,802,977	10,072,241	9,937,609
Post-Transaction shares on issue	76,768,708	76,768,708	76,768,708
Value per share	0.128	0.131	0.129
Minority discount ^{refer section 9.4}	10%	10%	10%
Post-Transaction Valuation per share	\$ 0.115	\$ 0.118	\$ 0.117

¹ The Capital Raising has been included in the above table as it is a condition precedent of the Transaction. If the Capital Raising is not approved and completed, the acquisition of Lymex does not occur either. We therefore have to consider its effect on the value of Teys and the shares on issue in Teys as part of the Transaction.

13.1.5 In our opinion the Transaction is **fair** based on the following:

- i. The value attributed to Lymex of \$5,552,977 exceeds the value range for the consideration being paid by Teys, with a midpoint of \$4,484,862. This would also be the case even if the Deferred Consideration shares were valued at nil.
- ii. The value of the Teys shares held by Non-Associated Shareholders increases as a result of the Transaction.

13.2 Reasonableness

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

- Given the Company's limited capital and lack of income producing assets it will have difficulty in creating significant long-term value for shareholders. The Directors of Teys have determined that Lymex has the potential to increase Teys shareholder value and provide the Company with a future business direction. Based on currently available information, the Directors are of the view that the Lymex assets have significant potential to host commercially-valuable mineral deposits.
- The Directors consider that the current board and management team of Lymex possess the experience and skills required to successfully transition the Company into its proposed new business, which includes exploration and potential development of Lymex's mineral resource projects.
- Completion of the Transaction will assist in enabling the Company to apply to the ASX to have its suspension of share trading removed and allow its shares to be traded on the ASX, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.
- The Capital Raising is a condition of the Transaction and will provide the necessary working capital to facilitate the initial development of the Lymex assets.
- The Company may be able to raise further funds in the future at higher prices by way of share equity as a result of the Transaction.
- In the event the Capital Raising is not successful, the Transaction will not proceed and the Company will still incur professional fees of \$100,000 - \$150,000.

Having considered that the Transaction is fair, the potential of the Lymex business and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of Teys should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited



DAVID KENNEY



DREW TOWNSEND

APPENDIX I - SOURCES OF INFORMATION

- Teys Limited Audited Financial Reports for the financial years ended 30 June 2012 and 30 June 2013;
- Teys Limited Reviewed Financial Report for the half year ended 31 December 2013;
- Lymex Limited and Lymex Tenements Pty Limited financial reports for the financial year ended 30 June 2013 and for the half year ended 31 December 2013;
- Independent Geologist's Report on the mineral properties of Lymex, issued by Veronica Webster Pty Limited in May 2014;
- Teys Limited Notice of General Meeting and Explanatory Memorandum;
- Share Sale Agreement between Teys and Lymex Limited for the acquisition of Lymex Tenements Pty Limited;
- Teys registry details;
- Publicly available information on Teys, Lymex and comparable companies, including media releases, ASX announcements and websites;
- Geological information of Lymex assets as provided by Lymex management.
- ASIC Regulatory Guide 74 'Acquisitions Agreed to by Shareholders';
- ASIC Regulatory Guide 111 'Content of Expert Reports';
- ASIC Regulatory Guide 112 'Independence of Expert's Reports';
- APES 225 'Valuation Services'.

APPENDIX II - EXTRACTS FROM INDEPENDENT GEOLOGIST'S REPORT ON THE MINERAL PROPERTIES OF LYMEX

Teys commissioned Veronica Webster Pty Limited ("VWPL") to provide an Independent Geologist's Report ("IGR") on the Mineral Properties of Lymex to be acquired by Teys.

Following are extracts from the IGR:

Summary

Lymex Limited holds title to eight exploration licences ("ELs") in the Eyre Peninsula. Oakdale Resources Limited will be entitled to all minerals, principally base-metals of iron, zinc, lead, copper and nickel, plus any minor or trace minerals associated with the base metals and graphite mineralisation within the Lymex ELs. Manganese, coal and uranium are also known to be present in the EL areas.

The Eyre Peninsula contains a basement of the Gawler Craton, which in the tenement holding is completely overlain by extensive surficial and sedimentary basin cover that is on average 35 m thick.

Lymex Limited has established an Archaean (2540 Ma) age for this area and that the geology is favourable for hosting deposits of Archaean age: VHMS ("volcanogenic massive sulphide") deposits similar to those of the Canadian Shield and the Yilgarn and Pilbara cratons of Western Australia. Drilling has intersected a volcanic terrane ranging from basaltic to felsic in composition. These are intercalated with fine grained meta-sediments. Widespread anomalism in base metals now constitutes the target for VMS containing zinc-copper (\pm lead) and nickel-copper sulphide deposits.

During the prospecting for these exploration targets, high-grade graphitic horizons have been drilled. This graphite (the Oakdale Graphite Project) has become an evaluation project rather than an exploration project, which presents Oakdale Resources Limited with an opportunity to become a graphite producer in a relatively short time frame.

At the Malache and Tooligie prospects, an interpreted shear zone contains at least 30 km of base-metal anomalous target area, which includes wide intersections, but has received drill testing at only wide spacing. Drill hole BLDD04, the Malache Prospect discovery diamond drill hole, averages 0.45% zinc over 144.80 m, which includes 92.27 m grading 0.67% zinc from 83.4 m to 175.67 m.

There are parallel zones with similar geology and anomalism which have been tested with even fewer drill holes. The usefulness of electromagnetic and electrical geophysical methods has been substantiated and will be crucial in generating targets.

Lymex has outlined by geophysics and drilling a substantial zone, extending for 2.7 km, of Banded Iron Formation ("BIF") at the Bramfield Iron Prospect. This contains magnetite and hematite below the weathered zone with iron grades ranging from 31.8% to 42.4%. Although a resource cannot be estimated at the stage, Lymex has an aspirational exploration target of between 250 million and 300 million tonnes. Drilling to estimate resources is the next step.

At the Oakdale graphite project, early drilling has intersected several zones of graphitic carbon, such as:

- 39.3 m of 3.87% graphitic carbon
- 33.9 m of 8.39% graphitic carbon.

The Oakdale Graphite Project has been scheduled for a program of evaluation drilling. The graphite beds will first be defined with electromagnetic surveying, because they are extremely conductive, containing both graphite and pyrrhotite. Concurrent with the field work, metallurgical test work, preliminary scoping studies and market research will be carried out.

The oxidised, weathered graphitic units are ~40 m thick, under ~20 m of cover and lie within a graphite-bearing zone which is greater than 200 m wide. This graphite-bearing zone with its contained graphite-rich units can be traced for many kilometres.

Although the graphite beds may be quite extensive, especially if the primary rocks are considered and might constitute a large resource from which considerable amorphous graphite might be produced, Lymex will focus only on the oxide zone at this stage. A nominal exploration target of between 10 and 15 million oxide tonnes grading between 5% and 10% graphitic carbon has been selected.

It has been demonstrated in preliminary metallurgical tests that the weathered oxidised graphite zone does not need to be heavily crushed and ground to liberate the graphite, as weathering has altered the feldspar, pyrrhotite and other gangue minerals to soft clay minerals and oxides. Graphite, being pure carbon, does not break down in the oxidised zone so it can be readily recovered with minimum crushing and subsequent flotation. Preservation of coarse crystalline graphite is desirable as this product commands a higher price in the market. However, there is no set producer price but this is subject to negotiation between the supplier and the consumer. Metallurgical test work on the oxidised zone recovered both coarse flake and flake graphite in excess of 75 microns and up to 1000 microns.

Programs and budgets

Lymex has a satisfactory and clearly defined exploration and expenditure program, which is reasonable having regard to its stated objectives. Allowance has been made for successful first-year programs and high expenditures on follow-up activity in the second year.

Lymex have planned for an optimal budget of ~\$5.2 million in the next two years. In the first year, ~\$2.4 million has been allocated to drilling around 30 000 m of air core, all which will be applied at Oakdale graphite prospect. Following the drill campaign, resource studies, then metallurgical, environmental and scoping studies will be carried out mainly in the second year of operations. Full details are given in the Directors review of operations in the Prospectus.

Graphite intersections and richly anomalous base-metal intersections form meritorious targets for further exploration. Even though encouraging intersections and some continuity of mineralised zones are established, the proposed programs carry the fundamental risks for this style of speculative activity. In the view of VWPL the programs are fully justified.

Tenements, Location and Infrastructure

Lymex holds eight ELs in the Eyre Peninsula as shown in the table below:

TENURE ID	EL			
EL No	Name	Date GRANTED	Renewal Date	km²
5378	Brooker	25-Aug-08	24-Jul-14	190
4231	Kapinnie	05-Mar-09	04-Feb-15	160
4244	Sheringa	01-Apr-09	28-Feb-15	325
4243	Lock	01-Apr-09	28-Feb-15	247
4442	Mt Hope	15-Mar-10	14 Dec-14	121
4537	Brimpton Lake	09-Aug-10	8-Jul-2014	683
4895	Tungketta Hill	07-Mar-12	6-Feb-15	91
4768	Hillside	26-Jul-11	25-Jun-15	191
TOTALS				2008

The tenements are situated from 120 km to 160 km north-west of Port Lincoln (population 14 500) via the Flinders or Tod Highways, which are all weather bitumen roads. Numerous all weather minor roads and farm tracks provide further access to prospects.

Port Lincoln has an all-weather airstrip and is serviced by four to six flights a day from Adelaide. Adelaide is 45 minutes by air and six hours by road from Port Lincoln.

Export ports exist at Port Lincoln and Whyalla. Whyalla is operated by Arrium Limited (previously One Steel Limited) and may not be available to other organisations. A new port is proposed at Port Spencer (Sheep Hill) on the eastern Eyre Peninsula to export iron ore.

The Lymex current prospects are mainly on farming and grazing land that is mostly freehold title. Current prospects are in calcrete regolith, which forms poor quality grazing land in which there are relatively few beasts, mainly sheep, to unit area.

Discovery and Geology

Lymex has extensive graphite-rich units within its tenements, discovered serendipitously during the course of base-metal exploration.

The Oakdale Graphite Project is part of the original Malache base-metal exploration area and is a product of Anglo American Exploration (Australia) Pty Limited ("AAEA") work. The company spent approximately \$300,000 looking for copper zinc VHMS (volcanic hosted massive sulphide) using, EM (electromagnetic survey) and RC (reverse circulation) drilling. When testing an EM method called SQUID EM, a very strong conductor was discovered, which was subsequently drilled by Lynch Mining and found to be massive pyrrhotite-graphite mineralisation containing anomalous copper and zinc values.

Diamond drill-holes BLDD02 and BLDD03 which are approximately 400 metres apart, are the discovery holes and they proved the strong SQUID EM conductor to be caused by strong graphite mineralisation. Graphite is an extremely conductive mineral, more so than sulphide. The units hosting the graphite also occur in BLDD15 and BLDD16 which are approximately 900 metres and 1,500 metres respectively from BLDD02 (see Figure 5).

Assaying and preliminary metallurgy has been undertaken on the fresh, primary unoxidised graphitic diamond drill core from BLDD02 and BLDD03. The oxidised graphitic material was not cored in the original drill holes which were drill testing for copper/zinc rich VHMS deposits. Three holes were drilled specifically to sample graphite within the oxidised zone in a second program. The oxidised graphite is 42 m thick (down hole) and the cover rocks are about 20 m thick, vertically.

Assays of the primary zone are as follows:

- BLDD02 intersected 39.3 m of 3.87% graphitic carbon (“Cg”) between 166.4 and 205.9 m. Within this zone there exists 30.6 m of graphitic schist averaging 4.75% Cg after eliminating internal waste in excess of 2 m and using a cut-off of a nominal 2%Cg.

A further zone from 222.6 m to 241.5 m assayed 5.38% Cg and within this zone, after eliminating internal waste in excess of 2.0 m and using a nominal cut-off of 2% Cg, there exists 16.4 m of graphitic schists averaging 6.2% Cg within this zone. (The zone from 205.9 m to 222.6 m was not assayed).

- BLDD03 - Within the zone assayed between 63 m and 122.7 m, there is 57 m of 4.9% Cg and after eliminating internal waste greater than 2 m using a nominal cut-off grade of 2% carbon, there exists 33.9 m of graphitic schists averaging 8.39% Cg within this zone.

These graphitic schist units can be projected into the oxidised zone.

Future Programs and Budget

Lymex intend to further test the oxide graphitic zone and build a resource inventory, undertaking definition and correlation of high-grade graphite zones within the 200 m-wide graphitic zone and collecting many samples for assay and metallurgy.

The overburden depth will be measured accurately and the non-conformity between the cover rocks and the graphitic zone and the oxide/primary transition contact will be carefully assessed.

Concurrent with this field activity, Lymex intend to investigate thoroughly the global graphite market, end-user requirements, competition and costs of extraction and processing in this part of the Eyre Peninsula.

A nominal exploration target of between 10 and 15 million tonnes grading between 5% and 10% graphic carbon has been selected but this will be refined as resource studies and market research progress.

The Oakdale Graphite Project has become an evaluation project rather than an exploration project, which presents Teys with an opportunity to become a graphite producer in a relatively short time frame.

The units hosting the graphite are folded and can be readily traced by an EM survey. There is graphite in other parts of the Malache prospect area but Lymex will concentrate on those identified at Oakdale Prospect at this stage. Drilling will be undertaken to evaluate the Oakdale prospect prior to bulk testing the graphite.

VWPL considers that the exploration program is well planned and that there are sufficient funds to achieve the objectives. Early discussions with consumers about quantities and product types of graphite required are considered a vital component of the planning and exploration process.

In VWPL's opinion Lymex has a satisfactory and clearly defined exploration and expenditure program, which is reasonable having regard to its stated objectives. Allowance has been made for successful first-year programs and high expenditures on follow-up activity in the second year.

The proposed programs carry the risks for this style of speculative activity.

APPENDIX III - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to Teys and Lymex with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of Teys and Lymex.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Teys, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend and Mr David Kenney, directors of Hall Chadwick Corporate (NSW) Limited, have prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of Teys for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of Teys have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by Teys and Lymex as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

Teys has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by Teys to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 29, St Martin's Tower, 31 Market Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC's representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of Teys. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to Teys shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the proposed Transaction is fair and reasonable.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to Teys shareholders.

Shareholders should read all documents issued by Teys that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these additional documents, with the exception of our report.

This report has been prepared specifically for the Non-associated shareholders of Teys. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a Non-associated shareholder of Teys, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX IV - FINANCIAL SERVICES GUIDE

Dated 13 June 2014

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that HCC is authorised to provide

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you

HCC has been engaged by the independent directors of Teys Limited ("Tey's" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by Teys in relation to the proposed transaction to acquire all of the issued shares in Lymex Tenements Pty Ltd ("Lymex") (the "Transaction").

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees HCC may receive

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$15,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary, dividends or a partnership distribution from Hall Chadwick Sydney professional advisory and accounting practice (the Hall Chadwick Sydney Partnership) and related entities. Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend and Mr David Kenney, directors of HCC and partners in the Hall Chadwick Sydney Partnership, have prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. Over the past two years no professional fees have been received from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Transaction.

Complaints resolution

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:
The Complaints Officer
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Drew Townsend, on 02 9263 2600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 06
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact HCC at:
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001
Telephone: 02 9263 2600
Facsimile: 02 9263 2800