
MKY RESOURCES LIMITED

ACN 099 247 408

NOTICE OF GENERAL MEETING

TIME: 4 pm (AEST)

DATE: Wednesday, 23 September 2009

PLACE: 6 Powlett Street, East Melbourne, Victoria.

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9217 3300.

CONTENTS PAGE

Notice of General Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	5
Glossary	20
Proxy Form	21

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 4pm (AEST) on Wednesday 23 September 2009 at:

6 Powlett Street, East Melbourne, Victoria

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to MKY Resources Limited, PO Box 226 Subiaco WA 6904; or
- (b) hand to MKY Resources Ltd, Suite 6, 245 Churchill Avenue, Subiaco, WA 6008; or
- (c) facsimile to the Company on facsimile number (+61 8) 9388 3006,

so that it is received not later than 4 pm (AEST) on 21 September 2009.

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 4 pm (AEST) on Wednesday 23 September 2009 at 6 Powlett Street, East Melbourne, Victoria.

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

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 5pm (AEST) on 21 September 2009.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – ISSUE OF SHARES TO CALLABONNA URANIUM LIMITED SHAREHOLDERS

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

“That, for the purposes of ASX Listing Rule 11.1.2, ASX Listing Rule 7.1 and Section 611 Item 7 of the Corporations Act, and for all other purposes, Shareholders approve:

- (a) the issue of 537,000,060 Shares to the shareholders of Callabonna Uranium Limited in consideration for the acquisition of all of the issued capital of Callabonna Uranium Limited on the terms and conditions set out in the Explanatory Statement; and*
- (b) the increase in voting power in the Company of the parties referred to in the Explanatory Statement as a result of the issue of Shares under paragraph (a) of this Resolution, from 0.15% to 48.65%,*

on the terms and conditions set out in the Explanatory Statement.”

Independent Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared by Stantons International Securities for the purposes of the Shareholder approval required under Section 611 Item 7 of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

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

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE – SHARES

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

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 73,333,333 Shares on the terms and conditions set out in the Explanatory Statement."

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

3. RESOLUTION 3 – ISSUE OF SHARES AND OPTIONS TO SK ENERGY INTERNATIONAL PTE LTD

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

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of 120,000,000 Shares and 60,000,000 Options to SK Energy International Pte Ltd or its nominee on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and any person who may obtain a benefit, except a benefit solely in the capacity of ordinary securities if the Resolution is passed, or any of their associates.

4. RESOLUTION 4 – CHANGE OF NAME

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

"That, subject to completion of the acquisition by the Company of all of the issued capital of Callabonna Uranium Limited occurring, the Company change its name to Callabonna Uranium Ltd."

DATED: 14 AUGUST 2009

BY ORDER OF THE BOARD



**IAN HOBSON
MKY RESOURCES LIMITED
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 4 pm (AEST) on Wednesday 23 September 2009 at 6 Powlett Street, East Melbourne, Victoria.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. RESOLUTION 1 – ISSUE OF SHARES TO CALLABONNA URANIUM LIMITED

1.1 Overview

On 23 July 2009, the Company entered into a share sale agreement (**Share Sale Agreement**) with Callabonna Uranium Limited (**Callabonna Uranium**) and all the Shareholders of Callabonna Uranium (**Callabonna Shareholders**) pursuant to which the Company agreed to acquire, and each Callabonna Shareholder agreed to sell, all of their shares in Callabonna Uranium, representing 100% of the issued capital of Callabonna Uranium (**Callabonna Uranium Shares**).

The Share Sale Agreement is subject to and conditional upon the satisfaction of the following conditions:

- (a) the conversion of five (5) convertible notes held by SK Energy International Pte Ltd (**SKEI**) in Callabonna Uranium and SKEI agreeing to the sale of those shares to the Company in exchange for 60,000,000 Shares, and SKEI agreeing to the discharge by SKEI of the fixed and floating charge against Callabonna Uranium;
- (b) execution of an agreement by the Company and SKEI (or its nominee/s), under which SKEI agrees to subscribe for 120,000,000 Shares for a total subscription price of \$2,000,000, with 60,000,000 Company free attaching Options, exercisable at \$0.025 on or before the date which is two (2) years from the grant of the Options;
- (c) the Company obtaining all necessary Shareholder approvals required to allow the Company to purchase the Callabonna Uranium Shares. The purpose of Resolution 1 is to obtain necessary Shareholder approval to give effect of the acquisition of Callabonna Uranium.

On completion of the Share Sale Agreement, the Company must issue 537,000,060 Shares (**Consideration Shares**) to the Callabonna Shareholders in proportion to their shareholding in Callabonna Uranium, in consideration for 100% of the Callabonna Uranium Shares. The consideration payable by the Company for the Callabonna Uranium Shares is equal to twelve (12) Shares for every one (1) Callabonna Uranium Share held by each Callabonna Shareholder on the completion date.

The Consideration Shares issued to the Callabonna Shareholders will be escrowed for 12 months from the date of issue.

For the avoidance of doubt, if Shareholders approve Resolution 1, the Company will acquire 100% of the issued capital in Callabonna Uranium and Callabonna Uranium will become a wholly owned subsidiary of the Company.

The Board considers the acquisition of Callabonna Uranium under the Share Sale Agreement to be a strategic investment which will create a new focussed uranium

exploration company with a very attractive portfolio of uranium properties in South Australia, the Northern Territory and Queensland.

1.2 Callabonna Uranium

Callabonna Uranium holds 13 mineral properties covering an area of 8,998 square kilometres in three geological provinces:

- (a) the Curnamona Craton (Frome Embayment);
- (b) the Arunta Block; and
- (c) the Beetaloo Basin.

The properties are 100% owned through subsidiaries Frome Uranium Pty Ltd, Arunta Uranium Pty Ltd and Beetaloo Uranium Pty Ltd. One tenement (EL 26006) in the Arunta Project is the subject of a farmin joint venture by NuPower Resources Limited.

The mineral properties hold potential for uranium discoveries in a number of different settings:

- (a) sediment-hosted uranium deposits in palaeo-channels in the Frome Embayment, overlapping the north-eastern margin of the Curnamona Craton in South Australia;
- (b) IOCG style uranium deposits in basement rocks of the Curnamona Craton or Mount Gee hydrothermal vein style uranium deposits in extensions of the Mount Painter terrane; and
- (c) uranium deposits hosted in calcrete in palaeo-channels that reflect present day drainages in the Arunta Block in the Northern Territory.

Callabonna Uranium's flagship project the Curnamona Project, comprises a large tenement holding located over the north-eastern tectonic margin of the Curnamona Craton in South Australia. There is potential for the discovery of sedimentary uranium deposits in Tertiary palaeo-channel sediments previously identified during reconnaissance exploration in 1973. The geological setting of the Callabonna Uranium tenements is analogous to the Beverley and Beverley - 4 mile sediment-hosted uranium deposits in what is traditionally known as the Frome Embayment. Basement structures along the north-eastern margin of the Curnamona Craton have been reactivated and extend upwards into the younger cover. It is envisaged that these structures controlled development of palaeo-drainage and subsequent groundwater flow patterns as reportedly occurred at Beverley. The tenements cover a large area with unexplored potential. A channel was previously identified by Union Corporation Pty Ltd during the 1970's as part of a widespread grid drilling programme. Drillholes D10 and D9 intersected anomalous uranium associated with the channel. Callabonna Uranium has an excellent opportunity to investigate the palaeo-channel environment, using modern exploration techniques, in what is considered to be the most favourable unexplored structural setting in the region. Exploration of basement targets will provide opportunities for additional discoveries.

An Airborne Electromagnetic survey completed in 2008 by Callabonna Uranium over the entire Curnamona Project area was designed to delineate shallow (<120 metres) Tertiary aged channels within the basin sediments. The survey successfully delineated the location of several, what are interpreted to be, Tertiary channels.

Given the location of the Callabonna Uranium tenements proximal to known uranium deposits (Beverley, 4 Mile and Honeymoon) and the geological setting of

the area, analogous to that at Beverley, these interpreted channels represent high priority drill targets that are held under tenement and ready for drill testing. A drilling programme has been planned and permitted.

Additionally, Callabonna Uranium has recently finalised an agreement with Newcrest Operations Ltd for the acquisition of five tenements (EL's 3350 – 3354) in the Frome Embayment area to the south of the existing Curnamona Project areas. These tenements are subject to renewal from the South Australian government and no decision has been made as yet.

The Arunta Project comprises three lease areas and has potential for significant accumulations of calcrete uranium mineralisation in palaeo-channels that mimic the present day drainage as occurs at the nearby Napperby deposit (7.4Mlbs U₃O₈, *Toro Energy announcements*). The surrounding area is well endowed with uranium mineralisation. Basement rocks are thought to be the source for roll-front and calcrete-hosted uranium mineralisation in the region. There are more than 12 uranium prospects and a similar number of uranium stream geochemical anomalies shown on the published Northern Territory Geological Survey (NTGS) database compilation. Past explorers for other commodities in the Arunta tenements did not assay for uranium. Callabonna Uranium plans to investigate the potential for concealed uranium mineralisation in drainage areas and beneath recent soil cover. A programme consisting of reconnaissance sampling followed by drilling traverses across interpreted drainage areas will be used to test the area for near surface, calcrete-hosted uranium mineralisation.

One of the tenements, EL 26006 – Mount Hay, has been farmed out to Nupower Resources Limited under terms summarised in the attached independent geologists report. An Airborne Electro-Magnetic survey to map channels forms a pivotal part of planned exploration programme. Recent work on the Mt Doreen lease area (EL 26040) has identified new targets in the Mt Doreen Granite. Analysis of previous data has identified targets with anomalous uranium up to 200ppm recorded in granites within the area of the tenement and, in adjacent areas, a prospect with visible carnotite at surface and rock samples carrying up to 2550 ppm U (3031 ppm U₃O₈) (NTGS Open File reports).

The Beetaloo Project in the Northern Territory covers part of the Beetaloo Basin which consists of a thick sedimentary system of Mesoproterozoic age. It was previously explored for oil and gas and elevated gamma radioactivity was found associated with reservoir sands. This is considered to indicate potential to host uranium in a similar fashion to a number of oil fields in the USA and China. Previous work by major companies focused mainly on oil and diamond exploration with little regard for uranium. Oil exploration drilling identified reducing environments developed either in organic-rich sandstones or zones related to hydrocarbon gas leakage. These are considered to have potential for the occurrence of uranium deposits. Callabonna Uranium holds tenements along the margin of the basin where attractive structural settings may exist at accessible depths. The future programme will consist of a re-evaluation of the large oil exploration data base and further basin studies to determine possible uranium source areas leading to the identification of drill targets.

Callabonna Uranium's wholly owned subsidiary, Callabonna Energy also holds Geothermal Exploration Licences over an interpreted extension of the high heat producing Mount Painter Inlier totalling approximately 2,875 km² in area.

Callabonna Uranium's Geothermal Exploration Licences (**GELs**) overlap the Company's Curnamona Uranium Project in the Frome Embayment. Here, the link between uranium and geothermal exploration potential is not surprising, because the primary source rocks for uranium, typically granite, naturally contain high levels

of radio nucleides that produce heat from radioactive decay. This makes the area attractive for geothermal energy exploration and a number of companies are persuing similar opportunities in the region. Geothermal exploration aims to find rock temperatures approaching 200°C at depths of up to 5 kilometres. Basement rocks of Proterozoic age in the area known as The South Australia Heat Flow Anomaly, produce about double the average crustal heat flow and locally, in the Mount Painter Inlier, up to three times the global crustal average.

Callabonna Uranium's geothermal prospect is located adjacent to tenements held by Petratherm Limited immediately to the east of the Mount Painter Block in South Australia. The Mount Painter Block basement rocks are interpreted to continue to the east beneath the Callabonna Uranium licence areas where it is covered by substantial thickness of basin sediments that act as a thermal blanket with low thermal conductivity. Geothermal energy may be extracted from hot rocks at depth by passing water through them and bringing the super-heated water to the surface to extract the heat to drive a turbine and produce electricity.

1.3 Pro forma Balance Sheet

Set out below is the unaudited Balance Sheet of MKY as at 30 June 2009, adjusted for estimated administration costs for the period 1 July 2009 to 31 August 2009 of \$150,000 and the raising of a further net \$1,025,000 from the issue of 73,333,333 Shares at 1.5 cents each along with a pro-forma consolidated Balance Sheet assuming the following:

- (a) The acquisition of Callabonna by way of an issue of 537,000,060 Shares at a deemed pre announcement Share price of say 1.8 cents per Share (deemed value \$9,660,000) but writing down the value attributable to the Callabonna Mineral Assets to the preferred value of \$8,100,000;
- (b) The payment of an estimated \$375,000 indirect costs, including stamp duty relating to the Acquisition and all expensed; and
- (c) The issue of 120,000,000 Shares and 60,000,000 free attached Options to SK Energy to raise a gross \$2,000,000.

	MKY (as adjusted) 30 June 2009 \$000's	MKY Consolidated Pro-forma 30 June 2009 \$000's
Current Assets		
Cash	3,094	4,817
Receivables	10	35
Prepayments	9	9
	3,113	4,861
Non Current Assets		
Fixed assets	14	50
Bonds	-	50
Capitalised exploration costs	-	8,100
	14	8,200
Total Assets	3,127	13,061
Current Liabilities		
Trade and other payables	92	437
Other loans	-	20
Borrowings	-	6
Employee entitlements	6	12
Total Current Liabilities	98	475
Non current liabilities		
Borrowings	-	19
Total non current liabilities	-	19
Total liabilities	98	494
Net Assets	3,029	12,567
Equity		
Issued capital	27,364	39,024
Reserves	91	91
Accumulated losses	(24,426)	(26,458)
Net Equity	3,029	12,567

1.4 Capital Structure

The capital structure of the Company following implementation of all of the Resolutions contained in the Notice is set out below:

Shares

Current issued Shares	568,561,435
Acquisition of Callabonna Uranium	537,000,060
Placement (Resolution 3)	120,000,000
Total Shares	1,225,561,495

Options

Current issued Options	45,000,000
Grant of Options (Resolution 3)	60,000,000
Total Options	105,000,000

1.5 General

Resolution 1 seeks Shareholder approval:

- (a) in accordance with ASX Listing Rule 11.1.2;
- (b) in accordance with ASX Listing Rule 7.1, for the issue of 537,000,060 Shares to the Callabonna Shareholders; and
- (c) in accordance with Section 611 Item 7 of the Corporations Act, for the subsequent increase in the Callabonna Shareholder's voting power in the Company from 0.15% to 48.65%.

1.6 ASX Listing Rule 11.1.2

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the scale of its activities, it must provide full details to ASX as soon as possible. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of Shareholders and must comply with any requirements of ASX in relation to the notice of meeting.

The acquisition of Callabonna Uranium is a significant transaction and will result in the Callabonna Shareholders holding 48.65% of the issued capital of the Company. ASX has indicated to the Company that the Company needs to obtain Shareholder approval pursuant to ASX Listing Rule 11.1.2.

For this reason, the Company is seeking Shareholder approval for the Company to change the scale of its activities under ASX Listing Rule 11.1.2 as a result of the acquisition of Callabonna Uranium.

1.7 Listing Rule 7.1 of the ASX Listing Rules

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Directors to issue 537,000,060 Shares pursuant to the Share Sale Agreement during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Technical information required by ASX Listing Rule 7.1

In accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Shares pursuant to Resolution 1:

- (a) the maximum number of Shares to be issued by the Company is 537,000,060 Shares;
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Shares are being issued for nil cash consideration as the Shares will be issued in consideration for the acquisition of 100% of the issued share

capital in Callabonna Uranium. Accordingly, no funds will be raised by the issue of Shares under Resolution 1;

- (d) the Shares will be allotted and issued to each Callabonna Shareholder (none of whom are a related party of the Company) in proportion to their respective shareholding in Callabonna Uranium and as set out in the table below:

Shareholder	Callabonna Shares Held	MKY Shares Issued
Peter James Nightingale	1	12
Peter Bull	1	12
Michael Raetz	1	12
Norman Alfred Seckold	1	12
Dr. Andrew Robert Wilde	1	12
Peter Bull Superannuation Management Pty Ltd	7,663,528	91,962,336
Mr Michael Raetz and Mrs Marjorie Raetz <Raetz Family Superfund A/C>	7,663,528	91,962,336
Republic Gold Limited	3,235,444	38,825,328
Planet Gas Limited	14,400,000	172,800,000
Alan J. Flavelle	787,500	9,450,000
John Wardman	200,000	2,400,000
Berrafall Pty Ltd ATF Morris Hardwick Super Fund	500,000	6,000,000
Company Fifty Pty Ltd <McDonald Super Fund A/C>	500,000	6,000,000
Rigi Investments Pty Ltd	1,000,000	12,000,000
Altinova Nominees Pty Ltd	1,000,000	12,000,000
Richard James Edwards	100,000	1,200,000
Gary Leon Lewis and Shirley Anne Lewis <ATF Lewis Superannuation Fund>	200,000	2,400,000
Umbiram Pty Ltd <Michael Hoy Super Fund>	500,000	6,000,000
Gainaltost Securities Pty Ltd <Heathley Hemming Superannuation Fund A/C>	500,000	6,000,000
Chester Nominees (WA Pty Ltd) <N W Wilson Super Fund A/C>	500,000	6,000,000
Propitious Investments Pty Limited	500,000	6,000,000
Rosignol Pty Ltd <ATF Nightingale Family A/C>	500,000	6,000,000
SK Energy International Pte. Ltd. ¹	5,000,000	60,000,000
Total	44,750,005	537,000,060

- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company and issued on the same terms and conditions as the Company's existing Shares.

1.8 Section 611 Item 7 of the Corporations Act

Section 606 of the Corporations Act – Statutory Prohibition

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

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

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

A person (**second person**) will be an "associate" of the other person (**first person**) if:

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

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

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

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

For the purposes of the Corporations Act, the Callabonna Shareholders will be deemed to be associates of each other as at settlement of the Share Sale

Agreement. This does not mean that they will remain associates of each other after settlement of the Share Sale Agreement.

Accordingly, Shareholder approval under Item 7, Section 611 of the Corporations Act is required under Resolution 1. The potential increase in the voting power of the Callabonna Shareholders is set out in Table 1 below.

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

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

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

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

The figures in the following section assume that:

- (a) all of the Shares the subject of Resolution 1 have been issued and no additional Shares are issued; and
- (b) the Callabonna Shareholders do not acquire any additional Shares other than those shown in Table 1 prior to Settlement of the Share Sale Agreement.

Impact on level of control of Callabonna Shareholders

The effect on voting power in the Company if Resolution 1 is passed is set out in the table below

Table 1: Effect of Resolutions 1

Shareholder	No. Share currently held	Current % issued capital	Shares post settlement	% issued capital on settlement
Peter James Nightingale	0	0	12	0
Peter Bull	0	0	12	0
Michael Raetz	0	0	12	0
Norman Alfred Seckold	0	0	12	0
Dr. Andrew Robert Wilde	0	0	12	0
Peter Bull Superannuation Management Pty Ltd	0	0	91,962,336	8.32
Mr Michael Raetz and Mrs Marjorie Raetz <Raetz	0	0	91,962,336	8.32

Shareholder	No. Share currently held	Current % issued capital	Shares post settlement	% issued capital on settlement
Family Superfund A/C>				
Republic Gold Limited	0	0	38,825,328	3.51
Planet Gas Limited	0	0	172,800,000	15.63
Alan J. Flavelle	0	0	9,450,000	0.85
John Wardman	0	0	2,400,000	0.22
Berrafall Pty Ltd ATF Morris Hardwick Super Fund	0	0	6,000,000	0.54
Company Fifty Pty Ltd <McDonald Super Fund A/C>	0	0	6,000,000	0.54
Rigi Investments Pty Ltd	0	0	12,000,000	1.09
Altinova Nominees Pty Ltd	0	0	12,000,000	1.09
Richard James Edwards	833,332	0.15	2,033,332	0.18
Gary Leon Lewis and Shirley Anne Lewis <ATF Lewis Superannuation Fund>	0	0	2,400,000	0.22
Umbiram Pty Ltd <Michael Hoy Super Fund>	0	0	6,000,000	0.54
Gainaltost Securities Pty Ltd <Heathley Hemming Superannuation Fund A/C>	0	0	6,000,000	0.54
Chester Nominees (WA Pty Ltd) <N W Wilson Super Fund A/C>	0	0	6,000,000	0.54
Propitious Investments Pty Limited	0	0	6,000,000	0.54
Rosignol Pty Ltd <ATF Nightingale Family A/C>	0	0	6,000,000	0.54
SK Energy International Pte. Ltd.	0	0	60,000,000	5.43
Existing Shareholders	567,728,103	100	567,728,103	51.35
Total	568,561,435	100%	1,105,561,495	100%

Prescribed Information

- (a) The identity of the person proposing to make the acquisition and their associates: The Callabonna Shareholders are proposing to acquire a relevant interest in the Company's voting shares. For the purposes of preparing this Explanatory Statement, an assumption has been made that all Callabonna Shareholders are associates of each other as defined in the Corporations Act as at settlement of the Share Sale Agreement. This does not mean that they will remain associates in the future. Accordingly, the Callabonna Shareholders will each hold a relevant interest in all the Consideration Shares to be issued pursuant to Resolution 1.

- (b) The maximum extent of the increase in the person's voting power in the Company that would result from the acquisition:

As set out in Table 1 above, the maximum extent of the increase in Callabonna Shareholders' voting power that would result from the issue of the Consideration Shares is collectively from 0.15% to 48.65% (being an increase of 48.5%), and individually as set out in Table 1.

- (c) The voting power that person would have as a result of the acquisition is set out in paragraph (b) above.

- (d) The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition:

The maximum extent of the increase in the voting power of the Callabonna Shareholders collectively will be from 0.15% to 48.65% and the increase in the voting power of each of the Callabonna Shareholders individually will be as set out in Table 1 above.

- (e) The voting power that each of that person's associates would have as a result of the acquisition.

As set out in Table 1 above, the voting power of the Callabonna Shareholders' collectively that would result from the issue of the Consideration Shares is 48.65% and individually as set out in Table 1.

1.9 Terms of shares

The Shares proposed to be issued in accordance with Resolution 1 will rank equally in all respects with the Company's existing issued Shares.

1.10 Intentions of Callabonna in relation to the Company

The Company has been informed by the Callabonna Shareholders that they:

- (a) have no intention of making any changes to the business of the Company;
- (b) do not presently intend to inject further capital into the Company;
- (c) do not propose to change the employment arrangements of the Company;
- (d) do not intend to transfer any property between the Company and itself nor any person associated with them other than as set out in this Notice;
- (e) do not intend to redeploy any fixed assets of the Company; and
- (f) have no current intention to change the Company's existing policies in relation to financial matters or dividends.

1.11 Directors' Recommendation

Based on the information available, the Directors recommend that Shareholders vote in favour of Resolution 1 as they are of the view that the issue of the Consideration Shares is appropriate consideration for the acquisition of 100% of Callabonna Uranium by the Company. The Board considers the acquisition of Callabonna Uranium under the Share Sale Agreement to be a strategic investment which will create a new focussed uranium exploration company with a very

attractive portfolio of uranium properties in South Australia, the Northern Territory and Queensland.

1.12 Role of the Independent Expert

The Independent Expert's Report assesses whether the proposals outlined in Resolution 1 are fair and reasonable to the non-associated Shareholders. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the transaction the subject of the Share Sale Agreement. This assessment is designed to assist all Shareholders in reaching their voting decision in relation to the Resolutions contained within this Notice of Meeting.

Stanton International Securities has prepared the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolution 1 is fair and reasonable to the non-associated Shareholders of the Company.

The Directors recommend that all Shareholders read the Independent Expert's Report in full.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE – SHARES

2.1 General

On 3 August 2009, the Company issued 73,333,333 Shares at an issue price of \$0.015 to raise approximately \$1,100,000 (before costs).

None of the subscribers pursuant to this issue were a related party of the Company.

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

A summary of ASX Listing Rule 7.1 is set out in Section 1.7 above.

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

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

2.2 Technical information required by ASX Listing Rule 7.4

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

- (a) 73,333,333 Shares were allotted and issued;
- (b) the issue price was \$0.015 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

- (d) the Shares were allotted and issued to certain sophisticated and professional investors (as defined in Section 708 of the Corporations Act) none of whom were a related party of the Company; and
- (e) the funds raised from this issue (\$1,100,000 pre costs of the issue) will be used for exploration and general working capital purposes.

3. RESOLUTION 3 – APPROVAL TO ISSUE SHARES AND OPTIONS – SK ENERGY INTERNATIONAL PTE LTD

3.1 Background

A condition precedent to completion of the Share Sale Agreement is the execution of an agreement between the Company and SKEI Energy Pte. Ltd (**SKEI**) pursuant to which SKEI or its nominee agrees to subscribe for 120,000,000 Shares for a total subscription price of \$2,000,000 together with 60,000,000 free attaching Options to subscribe for Shares in the capital of the Company at an exercise price of \$0.025 per Share on or before the date 2 years after the issue of the Options. The issue of these securities will occur after the settlement date of the Share Sale Agreement but within 3 months after the date of the General Meeting (or such later date as permitted by ASX).

3.2 ASX Listing Rule 7.1

Resolution 3 seeks shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of the Shares and Options to SKEI.

A summary of ASX Listing Rule 7.1 is set out in Section 1.7 above.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior shareholder approval.

Technical Information Required by ASX Listing Rule 7.1

In accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Shares and Options pursuant to Resolution 3:

- (a) the maximum number of securities to be issued by the Company is 120,000,000 Shares and 60,000,000 Options;
- (b) the Shares and Options will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Shares are being issued at an issue price of \$0.016 per Share and the Options are issued as free attaching Options;
- (d) the funds raised from the issue (\$2,000,000) will be used for exploration and working capital purposes;
- (e) the Shares and Options will be allotted and issued to SKEI (or its nominee) who is not a related party of the Company;
- (f) the Shares issued will be fully paid ordinary shares in the capital of the Company and issued on the same terms and conditions of the Company's existing Shares;

- (g) the Option will be issued on the following terms:
- (i) each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options;
 - (ii) the Options will expire 2 years after their date of issue at 5:00 pm (WST) (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date;
 - (iii) the amount payable upon exercise of each Option will be \$0.025 (**Exercise Price**);
 - (iv) the Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
 - (v) an Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (A) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (B) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice);
 - (vi) an Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds;
 - (vii) within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice;
 - (viii) the Options are not transferable;
 - (ix) all Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares;
 - (x) the Company will not apply for quotation of the Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares;
 - (xi) if at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction;
 - (xii) there are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options

prior to the date for determining entitlements to participate in any such issue; and

- (xiii) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

3.3 Impact on level of control of Callabonna Shareholders

The following table shows total potential voting power that SK Energy will hold in the Company assuming that the Share Sale Agreement proceeds to settlement, the Shares and Options issued pursuant to Resolution 3 are issued and the SK Options are exercised but no other options are exercised.

Table 2: Effect of Resolution 3

Description	Shares	%
SK Share Issue	120,000,000	
Vendor Shares Issued (table 1)	60,000,000	
SK Options converted	60,000,000	
Total potential SK shareholding	240,000,000	18.66%
Total shares on Issue assuming SK convert options	1,285,561,495	

4. RESOLUTION 4 – CHANGE OF NAME

Subject to completion of the Share Sale Agreement occurring, Resolution 4 seeks a change of name of the Company to "Callabonna Uranium Ltd".

The Company proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company and to reflect the major transaction the subject of the Share Sale Agreement.

5. ENQUIRIES

Shareholders are required to contact Ian Hobson on (+ 61 8) 9217 3300 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

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

Callabonna Uranium or **Callabonna** means Callabonna Uranium Limited (ABN 19 127 106 665).

Callabonna Shareholders means the shareholders of Callabonna as detailed in Section 1.8(d) of this Explanatory Statement.

Company means MKY Resources Limited (ACN 099 247 408).

Consideration Shares means the 537,000,060 Shares to be issued pursuant to Resolution 1 to the Callabonna Shareholders in consideration for the acquisition of all of the Callabonna Uranium Shares.

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

General Meeting means the meeting convened by the Notice of Meeting.

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

Option means an option to acquire a Share on the terms set out in Section 3.2(g) of the Explanatory Statement.

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

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

Share Sale Agreement means the agreement between the Company, Callabonna Uranium and the Callabonna Shareholders as summarised in Section 1.1 of the Explanatory Statement.

Shareholder means a holder of a Share.

Stantons International Securities means Stanton International Securities (AFSL 319600).

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

PROXY FORM

**APPOINTMENT OF PROXY
MKY RESOURCES LIMITED
ACN 099 247 408**

GENERAL MEETING

I/We
of

being a member of MKY Resources Limited entitled to attend and vote at the General Meeting, hereby

Appoint

Name of proxy

OR the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 4 pm (AEST), on 23 September 2009 at 6 Powlett Street, East Melbourne, Victoria, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 1 to 4** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 4 and that votes cast by the Chair of the General Meeting for Resolutions 1 to 4 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 4 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 4.

OR

Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Issue of Shares to Callabonna Uranium Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Ratification of Prior Issue - Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Approval to issue Shares and Options – SK Energy International Pte Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Change of Name of Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

Signature of Member(s):

Date: _____

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

MKY RESOURCES LIMITED
ACN 099 247 408

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to MKY Resources Limited, PO Box 226 Subiaco WA 6904; or
 - (b) by hand to MKY Resources Limited, Suite 6, 245 Churchill Avenue, Subiaco, Western Australia, 6008; or
 - (c) facsimile to the Company on facsimile number +61 8 9388 3006,

so that it is received not later than 4 pm (AEST) on 21 September 2009.

Proxy forms received later than this time will be invalid.

12 August 2009

The Directors
MKY Resources Limited
Suite 6, 245 Churchill Avenue
SUBIACO WA 6008

Dear Sirs

Re: MKY CORPORATION LIMITED ("MKY" OR "THE COMPANY") (ABN 71 099 247 408) ON THE PROPOSAL TO ACQUIRE URANIUM PROSPECTS BY ACQUIRING ALL OF THE SHARES IN CALLABONNA URANIUM LIMITED. MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001

1. Introduction

1.1 We have been requested by the Directors of MKY to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposal to issue securities by MKY to acquire 100% of the issued capital of Callabonna Uranium Limited ("Callabonna") that has or is acquiring interests in uranium tenements and a geothermal project ("Mineral Assets") in the Northern Territory and South Australia as noted below and in resolution 1 in the Notice of Meeting of Shareholders ("the Notice") and Explanatory Statement to Shareholders ("ES") of MKY of August 2009.

1.2 It is proposed that MKY will acquire a 100% of the shares in Callabonna a company that is an unlisted public company that has approximately 22 shareholders as at 30 June 2009. Callabonna was planning to undertake an Initial Public Offering ("IPO") and seek an ASX listing, however due to the global financial crisis has been unable to achieve such objectives. The more significant Mineral Assets that Callabonna has an interest in are:

- The Curnamona Uranium Project in the Frome Embayment in South Australia;
- The Arunta Uranium Project in the Northern Territory
- The Beetaloo Uranium Project in the Northern Territory (via a subsidiary, Callabonna Energy Pty Ltd ("CEPL"))
- Geothermal exploration licences held by CEPL near the Curnamona area

Further details on the Mineral Assets and joint ventures entered into by Callabonna are referred to in the Valuation Report noted in paragraph 1.8 below and the ES attached to the Notice.

For the purpose of this report the proposed acquisition of all of the shares in Callabonna is known as the Acquisition.

The purchase consideration to acquire 100% of the issued capital of Callabonna is 12 ordinary shares in MKY ("Shares") for every 1 share in Callabonna ("the Offer"). There are 39,750,005 shares on issue in Callabonna as at 30 June 2009. However Callabonna has 5 Converting Notes ("Notes") on issue with SK Energy International Pte Ltd ("SK Energy") as at 30 June 2009 and condition precedents to the Acquisition include that the Notes are to be converted into ordinary shares in Callabonna on terms acceptable to MKY, SK Energy discharges a fixed and floating charge against Callabonna and SK Energy agreeing to sell the shares it receives in Callabonna to MKY on the same terms as the Offer.

Each Note had a face value of \$100,000 (total of Notes is \$500,000) and were bearing interest at 8% per annum. Agreement has now been reached that the Notes will be converted into 5,000,000 shares in Callabonna so that the total number of shares in Callabonna that will be subject to the Offer is 44,750,005. **Thus the maximum number of Shares to be issued by MKY under the Offer is 537,000,060.**

The other condition precedent to the Offer is that SK Energy subscribes for 120,000,000 shares ("Issue Shares") and 60,000,000 free attaching share options ("Issue Options") so that MKY raises \$2,000,000 from the share issue. The Issue Options will be exercisable at 2.5 cents each within 2 years from issue date.

In addition, there are three other resolutions being put to the shareholders. Resolution 2 relates to the ratification of the August 2009 issue of 73,333,333 shares at 1.5 cents each to raise a gross \$1,100,000. Resolution 3 relates to the approval to issue 120,000,000 share and 60,000,000 Issue Options to SK Energy as noted above. Resolution 4 relates to the proposal to change the Company's name to Callabonna Uranium Limited. The existing Callabonna Uranium Limited will change its name. We are not reporting on the merits or otherwise of resolutions 2 to 4 but do note that the passing of resolution 1 is part of the recapitalisation process of MKY and resolutions 2 to 4 are part of such process.

- 1.3 Under Section 606 of The Corporations Act ("TCA"), a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:

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

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

If the acquisition of Callabonna proceeds, the collective interests of the Callabonna shareholders ("Vendors") will be associated with approximately 53.68% (657,000,060 shares plus 833,332 shares already held by one of the Vendors) of the expanded ordinary issued capital of MKY before the exercise of any share options, including the Issue Options. This percentage is calculated after the issue of the Issue Shares to SK Energy. The percentage shareholding interest of the Vendors, ignoring the Issue Shares would be approximately 48.65% (537,000,060 shares plus 833,332 shares already held by one of the Vendors). For the purposes of this report there is the assumption that the Vendors are acting in concert with each other, however post consummation of the Transaction, this would not be the case and to our knowledge there are no agreements in place between all or some of the Vendors to act together post the consummation of the Transaction.

- 1.4 Therefore a notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) of TCA must be accompanied by an Independent Expert's Report stating whether the Acquisition noted under resolution 1 is fair and reasonable. To assist shareholders in making a decision on the Acquisition, the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the Acquisition is fair and reasonable to the non-associated shareholders of MKY (not associated with the Vendors).

- 1.5 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals
- Corporate history and nature of business of MKY and Callabonna
- Future direction of MKY
- Basis of valuation of MKY shares
- Value of consideration

- Basis of valuation of Callabonna
- Conclusion as to fairness
- Reasonableness of the offer
- Conclusion as to reasonableness
- Sources of information
- Appendix A and Financial Services Guide

1.6 In determining the fairness and reasonableness of the acquisition of Callabonna whose Mineral Assets are interests in various uranium projects and a geothermal project, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottee(s) (in this case the Vendors) and whether a premium for potential control is being paid by the allottee(s).

Accordingly, our report relating to the issue of shares to the Vendors as part of the Acquisition is concerned with the fairness and reasonableness of the proposals with respect to the existing non-associated shareholders of MKY (not associated with the Vendors) and whether the Vendors collectively are paying a premium for potential control.

1.7 In our opinion, taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 9 of this report, the proposals as outlined in paragraph 1.2 and resolution 1 may on balance be considered to be fair and reasonable.

1.8 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the 11 August 2009 Independent Technical Valuation Report ("Valuation Report") on the Mineral Assets owned by Callabonna prepared by AMC Consultants Pty Ltd ("AMC"), a copy of which is attached as an appendix to the Notice of Meeting.

2. Implications of the Proposals

2.1 As at 31 July 2009, there were 495,228,102 ordinary fully paid shares on issue in MKY. On 3 August 2009 a further 73,333,333 shares were issued at 1.5 cents each to raise a gross \$1,100,000 so that the shares on issue as at 4 August 2009 totals 568,561,435. The significant fully paid shareholders as at 10 August 2009 based on the top 20 shareholders list were believed to be:

	No. of fully paid shares	% of issued fully paid shares
HSBC Custody Nominees (Australia) Limited	36,783,333	6.47
Gameday Enterprises Pty Ltd	20,000,000	3.52
Stuart Valentine Foster & Marya Eugenia Foster	15,000,000	2.64
LSAF Holdings Pty Ltd (Owen Family Account)	10,000,000	1.76
Citicorp Nominees Pty Ltd	5,780,727	1.02
Mr Thomas Allright	5,500,000	0.97
	93,064,060	16.38

The top 20 shareholders at 3 August 2009 owned approximately 24.65% of the ordinary issued capital of the Company. Geiger Counter Limited owns 33,333,333 shares that are registered in the name of HSBC Custody Nominees (Australia) Limited. This represents an approximate 5.86% shareholding interest in MKY as at 10 August 2009.

- 2.2 If the Acquisition is completed by acquiring 100% of the issued capital of Callabonna, the Vendors collectively would increase their ordinary shareholding interest from 833,332 ordinary shares to 657,833,392 ordinary shares (including the issue Shares) representing an approximate 53.68% interest in the expanded capital of the Company (before the exercise of any share options, including the Issue Options). Excluding the Issue Shares, the Vendors collective interest approximates 48.65%.

The movement in the issued capital of the Company would be:

	Number
Shares on issue 31 July 2009	495,228,102
Placement of shares at 1.5 cents each in August 2009	<u>73,333,333</u>
Shares on issue as at 4 August 2009	568,561,435
Issue of shares to Vendors	537,000,060
Issue of the Issue Shares to SK Energy	<u>120,000,000</u>
Shares on Issue post the Offer and Issue	1,225,561,495
Potential issue of further shares	
Exercise of the existing 1 cent share options	30,000,000
Exercise of the existing 2 cent share options	5,000,000
Exercise of the 2.5 cents Issue Options by SK Energy	<u>60,000,000</u>
Sub total	1,320,561,495
Exercise of the existing 4 cent share options	5,000,000
Exercise of the existing 6 cent share options	<u>5,000,000</u>
Potential shares on issue	<u>1,330,561,495</u>

As at 10 August 2009 there are 30,000,000 share options outstanding exercisable at 1 cent each, 5,000,000 exercisable at 2 cents each, 5,000,000 exercisable at 4 cents each and 5,000,000 exercisable at 6 cents each all exercisable on or before 31 May 2012. A further 60,000,000 Issue Options will be on issue and owned initially by SK Energy. Such Issue Options will be exercisable at 2.5 cents each within 2 years of issue date.

- 2.3 The current Board of Directors is expected to change in the near future as a result of the Acquisition. Mr Peter Nightingale of Callabonna will become the non executive chairman of the Board, Mr Michael Raetz of Callabonna will become an executive director, Mr Stephen McCaughey will remain as the managing director, and Mr Phil Harman will step down as chairman but remain as a non executive director. Mr Ian Hobson will resign as a non executive director of the Company. A representative of SK Energy, Mr Hyunsoo (Hans) Kim will be appointed to the Board as a non executive director.
- 2.4 The more significant shareholders of MKY post the Transaction and Issue in addition to Gameday Enterprises Pty Ltd (who will own approximately 1.63%) and Geiger Counter Limited (who will own approximately 2.72%) will be SK Energy, 180,000,000 shares (approximately 14.69% and this can be increased to approximately 18.67% if only the Issue Options are exercised and no other share issues are made), Planet Gas Limited, 172,800,000 shares (approximately 14.10%), the interests of Peter Bull, 91,962,348 shares (approximately 7.50%), the interests of Mr and Mrs Raetz, 91,962,348 shares (approximately 7.50%) and Republic Gold Limited 38,825,328 shares (approximately 3.17%). Collectively these shareholders will own approximately 48.15% of the expanded issued capital of MKY (approximately 46.96% excluding Gameday Enterprises Pty Ltd and Geiger Counter Limited). The collective shareholding of the Vendors, including the Issue Shares to SK Energy and 833,332 shares in MKY already held by one Vendor will approximate 53.68% (657,833,332 shares). If SK Energy exercises its 60,000,000 share options, SK Energy's shareholding interest would increase to approximately 18.67% and the collective Vendor shareholding would approximate 55.84% (in the absence of any other share issues).
- 2.5 Callabonna will become a wholly owned subsidiary of MKY (along with Callabonna's subsidiaries as noted below).

- 2.6 The Company has granted SK Energy the right, subject to Australian laws, to purchase at least 20% of the Company's uranium concentrate production (if it enters into production) on terms no less favourable to SK Energy than the terms granted to any third party. SK Energy also has been granted the uranium marketing rights to market uranium in the Republic of Korea.

3. Corporate History and Nature of Business

MKY

- 3.1 MKY is listed on the ASX. Its focus since becoming out of Administration several years ago is uranium and rare earth exploration in Australia. Its more significant areas of interest are:

- Georgetown uranium exploration permits (5) in Northern Queensland;
- Denison Project – Uranium and rare earth prospect (ELA 27181) in the Arunta area of the Northern Territory;
- Oak River uranium-molybdenum prospect in the Georgetown area of Northern Queensland;
- Huenfels uranium prospect in the Georgetown area of Northern Queensland;
- Neptune uranium prospect in the Georgetown area of Northern Queensland;
- Gilbert River Project (uranium and rare earths) (EPM 16256) in Queensland;
- Palmer River uranium prospects in Northern Queensland; and
- Cape York bauxite project in Northern Queensland (seeking a joint venture partner)

Callabonna

- 3.2 A summary on Callabonna and its assets are noted in section 1.2 of this report, the AMC Valuation Report (on the Callabonna's mineral and geothermal assets) and the Explanatory Statement. The subsidiaries of Callabonna are:

- Frome Uranium Pty Ltd that holds 8 exploration licences (2 are ELA's) prospective for uranium in the Callabonna Sub-Basin;
- Arunta Uranium Pty Ltd that holds 3 exploration licences prospective for uranium in the Arunta Block in the Northern Territory. One of the licences (EL26006) (Mt Hay) is also involved in a farm-in joint venture with NuPower Resources Ltd;
- Beetaloo Uranium Pty Ltd that holds 3 exploration licences prospective for uranium in the Arunta Block in the Northern Territory; and
- Callabonna Energy Pty Ltd that holds 6 geothermal exploration licences in the Curnamona Craton in South Australia.

- 3.3 A summary unaudited balance sheet of the Callabonna Group as at 30 June 2009 is noted elsewhere in this report.

4. Future Directions of MKY

- 4.1 We have been advised by the directors and management of MKY that:

- There are no proposals currently contemplated either whereby MKY will acquire any further properties or assets from the Vendors (however MKY will issue ordinary shares to the Vendors as outlined above in relation to the Acquisition) or where MKY would transfer any of its property or assets to the Vendors;
- The composition of the Board will change in the short term as noted above;
- The Company may seek to raise further working capital (in addition to the \$2,000,000 from the Issue of 120,000,000 shares to SK Energy noted above and the gross \$1,100,000 recently raised) by way of share issues;
- The Company proposes to change its name in the near future;
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and

- The Company will endeavour to enhance the value of its interests in its existing mineral assets and the Mineral Assets to be acquired from the Acquisition.

5. Basis of Valuation of MKY Shares

5.1 Shares

5.1.1 In considering the proposals to acquire Callabonna, we have sought to determine if the considerations payable by MKY to the Vendors are fair and reasonable to the existing non-associated shareholders of MKY.

5.1.2 The offer would be fair to the existing non-associated shareholders if the value of the shares in Callabonna (that has the interests in uranium and geothermal prospects) being acquired by MKY are greater than the implicit value of the shares in MKY being offered as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on MKY shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of an MKY share (and also a Callabonna share) are:

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

5.2 Capitalise maintainable earnings and discounted cash flows.

5.2.1 Due to MKY's current operations, a lack of profit history arising from business undertakings and the lack of a reliable future cash flow from a current business activity, we have considered these methods of valuation not to be relevant for the purpose of this report.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for MKY could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of MKY have formed the view that there is unlikely to be any takeover bids made for MKY in the immediate future. However, if the agreement to acquire Callabonna is consummated, the Vendors collectively will control approximately 53.68% of the expanded ordinary issued capital of MKY.

5.4 Adjusted Net Asset Backing

5.4.1 We set out below an unaudited Balance Sheet of MKY as at 30 June 2009, adjusted for estimated administration costs for the period 1 July 2009 to 31 August 2009 of \$150,000 and the raising of a further net \$1,025,000 from the issue of 73,333,333 shares at 1.5 cents each along with a pro-forma consolidated Balance Sheet assuming the following:

- The acquisition of Callabonna by way of an issue of 537,000,060 Shares at a deemed pre announcement share price of say 1.8 cents per share (deemed value \$9,660,000) but writing down the value attributable to the Callabonna Mineral Assets to the preferred value of \$8,100,000;
- The payment of an estimated \$375,000 indirect costs, including stamp duty relating to the Acquisition and all expensed; and
- The issue of 120,000,000 Issue Shares and 60,000,000 free attached Issue Options to SK Energy to raise a gross \$2,000,000.

	MKY (as adjusted) 30 June 2009	MKY Consolidated Pro-forma 30 June 2009
	\$000's	\$000's
Current Assets		
Cash	3,094	4,817
Receivables	10	35
Prepayments	9	9
	3,113	4,861
Non Current Assets		
Fixed assets	14	50
Bonds	-	50
Capitalised exploration costs	-	8,100
	14	8,200
Total Assets	3,127	13,061
Current Liabilities		
Trade and other payables	92	437
Other loans	-	20
Borrowings	-	6
Employee entitlements	6	12
Total Current Liabilities	98	475
Non current liabilities		
Borrowings	-	19
Total non current liabilities	-	19
Total liabilities	98	494
Net Assets	3,029	12,567
Equity		
Issued capital	27,364	39,024
Reserves	91	91
Accumulated losses	(24,426)	(26,458)
Net Equity	3,029	12,567

- 5.4.2 The book net tangible asset backing as at 30 June 2009 (as adjusted as noted above) equates to approximately 0.53 cents (568,561,435 ordinary shares on issue). Based on the book values, this equates to a value per fully paid ordinary share post the Acquisition and Issue (1,225,561,495 ordinary shares on issue) of approximately 1.02 cents (ignoring the value, if any, of non-booked tax benefits).
- 5.4.3 We have accepted the amounts for all current assets and non current assets. We have been assured by the management of MKY that they believe the carrying value of all current assets, fixed assets and liabilities at 30 June 2009 (as adjusted as noted above) are fair and not materially misstated.
- 5.4.4 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between MKY and other parties. We also note it is not the present intention of the Directors of MKY to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in MKY based on the market perceptions of what the market considers an MKY share to be worth.

The market has either generally valued the vast majority of junior mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for MKY shares and the market is kept fully informed of the activities of the Company. Furthermore, for accounting purposes under Australian Equivalents to International Financial Reporting Standards ("IFRS"), the consideration for the issue of MKY shares to acquire 100% of Callabonna will be booked at the fair value of Callabonna (in effect mainly the fair value of the Mineral Assets of Callabonna) or at the share price of an MKY share at

the date of acquisition and not any perceived technical value. Accordingly, for the reasons outlined above, we believe that for the purpose of this report, it is not appropriate to use any technical value of an MKY share in assessing whether the proposal to acquire Callabonna is fair and reasonable. We believe a pre-announcement market-based approach is a more suitable basis of assessing whether the proposed Acquisition is fair and/or reasonable. In the case of the Acquisition, the pre announcement price has been taken as prior to 23 July 2009. The shares were suspended on 21 and 22 July 2009 and the announcement made on 23 July 2009.

5.5 Market Price of MKY Fully Paid Ordinary Shares

5.5.1 We set out below a summary of the fully paid share prices of MKY since 1 November 2008 to the date immediately prior to the announcement of the details of the consideration to acquire all of the shares in Callabonna).

2008	High Cents	Low Cents	Last Sale Cents	Volume Trade (000's)
November	1.1	0.7	1.0	5,989
December	1.2	0.5	0.6	15,761
2009				
January	0.8	0.5	0.5	10,702
February	0.5	0.4	0.4	8,500
March	0.9	0.3	0.6	14,651
April	1.7	0.7	1.0	71,742
May	1.8	1.0	1.3	38,365
June	1.5	1.0	1.1	30,049
July (to 20th)	1.5	1.1	1.5	22,311

On 24 April 2009, 40,242,331 shares were traded on ASX and on 27 April 2009, a further 9,579,727 shares were traded. There were no announcements by the Company to the ASX in the three weeks leading up to 24 April 2009. On 1 April 2009, the Company announced the acquisition of a uranium prospect (Denison Project) in the NT.

5.5.2 Generally, the market is a fair indicator of what a share is worth, however the theoretical technical value based on the underlying value of assets and liabilities may be lower or higher. In the case of MKY, current liquidity is reasonable however the Company will eventually need to undertake a capital raising of some significance, probably in 2010. However as part of the Transaction and Offer, SK Energy is to subscribe for 120,000,000 Issue Shares for \$2,000,000 (approximately 1.667 cents per share).

It is noted that over the past several years, the vast majority of mineral exploration companies listed on the ASX are trading at significant discounts or premiums to appraised technical values and in some cases have traded at a discount to cash asset backing. In the case of MKY, the monthly volume of trades on the ASX is large enough to argue that an orderly market exists for the Company's shares. The "market" arguably is fully informed of the Company's activities. It is our opinion that it is appropriate to use a range of recent pre-announcement trading market values as fair values to attribute to the 537,000,060 Shares to be issued to the Vendors. It is also noted that SK Energy agreed to subscribe for \$2,000,000 of shares at an average cost of approximately 1.667 cents per share that is towards the high share price of an MKY share over the past 8 months and higher than the share price of an MKY share for the whole month of June 2009.

5.5.3 The future value of an MKY share will depend upon, inter alia:

- The successful exploitation of the current mineral assets of the Company and/or the Mineral Assets being acquired via the Acquisition;
- The state of the uranium, rare earth and base metal markets (and prices) in Australia and overseas;
- The cash position of the Company;
- The state of Australian and overseas stock markets;

- Membership and control of the Board;
- General economic conditions; and
- Liquidity of shares in MKY.

5.5.4 We thus consider the fair value of an MKY share for the purposes of this report to lie in the range of 0.5 cents and 1.5 cents in the absence of the Acquisition and have used the closing price of an MKY of 1.2 cents as the preferred pre announcement fair value of the ordinary shares to be issued. For the purposes of this report, we have considered that it is appropriate to use a range of prices for the MKY ordinary shares in determining our opinion on fairness. The Directors will need to consider the accounting standards in determining the final price attributable to the Shares to be issued to acquire Callabonna. It is noted that the Directors of MKY considered that the fair value of a MKY share at the time of discussions with the Directors of Callabonna was approximately 1 cent. The closing share price of an MKY share on ASX as at 20 July 2009 was 1.5 cents (the last day of trading of shares in MKY before the announcement). The shares in MKY post the announcement have traded on the ASX at between 1.8 cents and 2.3 cents with a last sale on 11 August 2009 of 1.8 cents. It would be expected that the share price would fall below 1.5 cents if the Callabonna Acquisition did not proceed and no other significant acquisition was proceeded with in the short term.

6. Value of Consideration

6.1 Based on pre announcement share prices the consideration range would be:

	Low \$	Preferred \$	High \$
537,000,060 Shares at pre-announcement prices	2,685,000	6,444,000	8,055,000
Share price assumed to be	<u>0.5 cents</u>	<u>1.2 cents</u>	<u>1.5 cents</u>
	Low	Mid	High
If the post announcement share prices are used (after 20 July 2009), the consideration would be:			
537,000,060 Shares	9,666,000	11,277,000	12,351,000
Share price assumed to be	<u>1.8 cents</u>	<u>2.1 cents</u>	<u>2.3 cents</u>

If we used the range of fair values pre 21 July 2009, the consideration for the shares would lie in the range of \$2,685,000 and \$8,055,000. It is noted that the Directors at the time of negotiation of the acquisition with the Directors of Callabonna allocated around 1.0 cent to the shares. The MKY Directors considered the value of the consideration to be approximately \$5,370,000.

7. Basis of Valuation of Callabonna (and interests in the Mineral Assets of Callabonna)

- 7.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.
- 7.2 Callabonna is an unlisted public company and therefore valuing the shares on a takeover basis and on a market based approach are not that relevant. There are no indications that other parties wished to acquire all of the shares in Callabonna other than MKY. Callabonna was initially formed in 2007 with the objective to obtain a suite of mineral assets (that it has and are more fully described in the valuation report referred to below) and prepare an IPO and achieve a listing on the ASX. Due to market conditions it has been unable to achieve an ASX listing. The shareholders in Callabonna do not have an active market to trade their shares.
- 7.2 The Company has commissioned AMC (authors of the Valuation Report are PT Stoker and M Thomas) to prepare a Valuation Report of the Mineral Assets owned by Callabonna. The AMC Valuation Report of 11 August 2009 should be read in its entirety and a full copy of the AMC Valuation Report is attached as an Appendix to the Notice and forms part of

the Explanatory Statement to Shareholders. The Valuation Report ascribes a range of values to the interests to the Mineral Assets and for the purposes of our report we have used the low, high and mid range market valuations referred to in the AMC Valuation Report.

- 7.3 As the only significant asset of Callabonna is its interest in the Mineral Assets the most suitable methodology is to value the shares in Callabonna on an asset backing basis using fair values for the assets.
- 7.4 We have used and relied on the AMC Report on the Mineral Assets and have satisfied ourselves that:
- AMC is a suitably qualified geological consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the authors of the report, Messrs PT Stoker and M Thomas are suitably qualified and experienced);
 - AMC is independent from MKY and Callabonna; and
 - AMC has employed sound and recognised methodologies in the preparation of the valuation report on the Mineral Assets.
- 7.5 AMC has provided a range of market values of the interests in the Mineral Assets. AMC has ascribed a range of values to the Mineral Assets of Callabonna as follows:

	Low \$	Preferred \$	High \$
All Mineral Assets	3,110,000	8,100,000	12,330,000

- 7.7 The adjusted (to reflect estimated administration and net exploration costs totalling approximately \$170,000 to September 2009 and the conversion of the Notes by SK Energy to 5,000,000 shares in Callabonna to eliminate debts of \$500,000) unaudited consolidated balance sheet of Callabonna discloses the following.

	Consolidated Callabonna 30 June 2009 \$
Current Assets	
Cash	97,569
Receivables, bonds and deposits	25,299
	122,868
Non Current Assets	
Fixed assets	35,861
Bonds and deposits	50,000
Capitalised exploration costs/Joint Ventures	3,193,221
	3,279,082
Total Assets	3,401,950
Current Liabilities	
Trade and other payables	344,664
Employee benefits	6,295
Other loans	20,509
Borrowings (secured over fixed assets)	6,023
Total Current Liabilities	377,491
Non Current Liabilities	
Borrowings (secured)	18,745
	18,745
Total Liabilities	396,236
Net Assets	3,005,714

Equity	
Issued capital	3,514,060
Reserves	-
Accumulated losses	(508,246)
Net Equity	<u>3,005,714</u>

Using the fair values of the Mineral Assets ascribed by AMC (being \$3,100,000 to \$12,330,000 with a preferred fair value of \$8,100,000) instead of the balance sheet figure of \$3,193,221, the net fair value of Callabonna is expected to lie in the range of \$2,922,493 and \$12,142,493 with a preferred fair value of \$7,912,493. The value per Callabonna share lies in the range of approximately 6.5 cents to 27.13 cents with a preferred valuation of approximately 17.68 cents.

8. Conclusion as to Fairness

- 8.1 The proposal to acquire the shares in Callabonna that has as its only significant asset the Mineral Assets for the consideration noted in paragraph 6.1 is believed fair to MKY's non-associated shareholders if the value of the consideration offered is equal to or less than the value of the shares in Callabonna being acquired.
- 8.2 Due to the nature of the business of Callabonna, valuations are dependent upon the value placed on the mineral interests of Callabonna. The valuation of mineral interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.
- 8.3 We have examined below the values attributable to the shares proposed to be issued and the value of the consideration offered by MKY to the Vendors.

	Low \$	Preferred \$	High \$
Assessed value of Callabonna based on independent valuation of Mineral Assets (rounded)	<u>2,922,000</u>	<u>7,912,000</u>	<u>12,142,000</u>
Value of consideration payable by MKY using a pre-announcement market based approach (refer below)	<u>2,685,000</u>	<u>6,444,000</u>	<u>8,055,000</u>

The actual consideration to the Vendors is 537,000,060 Shares with a pre 23 July 2009 value of say 1.2 cents per share for a consideration of \$6,444,000. On a post announcement basis the consideration lies in the range of \$9,660,000 to \$12,351,000. If we used the 1.5 cents price that MKY achieved on a placement in early August 2009 to raise \$1,100,000, the consideration cost would be \$8,055,000 and if we used the approximate 1.67 cents price that MKY is to achieve on the Issue of shares to SK Energy to raise \$2,000,000, the consideration cost would be approximately \$8,950,000.

It is noted that there are several contracts in place entered into by Callabonna. Certain employee obligations will remain once all of the shares in Callabonna are acquired.

In relation to EL 26006 (Mt Hay) in the Arunta region of the Northern Territory, NuPower Resources Ltd ("NuPower") is earning an initial 51% interest in the EL by spending \$500,000 over a three year period from November 2007 and this may be increased to 70% (a further 19%) by NuPower sole spending a total of \$2,000,000 from 5 years from the commencement date of November 2007. 30 days notice is required to be given to Callabonna to terminate the agreement.

- 8.4 **On a pre-announcement market value approach, the proposed Acquisition (in effect acquiring an interest in Mineral Assets) by way of the issue of 537,000,060 Shares as outlined in resolution 1 to the Notice is considered on balance to be fair.**

- 8.5 As noted above, the shares in the Company have traded post the 23 July 2009 announcement at between 1.8 cents and 2.3 cents (closing sale price on 11 August 2009 at 1.8 cents). If these prices were ascribed to the 537,000,060 ordinary shares, the deemed acquisition cost of the Acquisition would be in the range of \$9,660,000 to \$12,351,000.

9. Reasonableness of the Offer (Acquisition)

- 9.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Acquisition.

Advantages

- 9.2 The Acquisition as note above is considered fair. The Company increases its exposure in Australia to the uranium exploration industry and spreads the risk in case the existing uranium and rare earth mineral assets owned by MKY are not commercially successful. The Acquisition if successful could lead to potential uranium operations or the ability for MKY to on-sell or farm-out the Mineral Assets to another mining company at a profit.
- 9.3 The Company may be able to raise further funds by way of share equity as a result of acquiring the Mineral Assets (via acquiring all of the shares in Callabonna).
- 9.4 On an asset backing approach, the consideration proposal is minimal (probably below \$2,846,100 for the 537,000,060 ordinary shares only) and below the market value (pre announcement) approach. The net book asset backing approximates 0.53 cents per share.
- 9.5 AMC has ascribed a range of values to the Mineral Assets of Callabonna that is in excess of the consideration payable on a pre-announcement basis.
- 9.6 The proposed new board members bring a wealth of technical and business experience. Further details on the proposed new directors have been announced to the market on 23 and 31 July 2009.
- 9.7 There is an incentive to the new management and the associated Vendors, including Planet Gas Limited and SK Energy to make MKY a viable mineral exploration company as Planet Gas Limited and SK Energy will have a significant interest in MKY and SK Energy has the potential to increase its significant shareholding interest on exercise of the Issue Options at 2.5 cents each. SK Energy will have the right to market uranium in the Republic of Korea (so long as it holds 180,000,000 shares in MKY) and has the right to take 20% of any uranium concentrate produced on no less favourable terms to outside third parties. The background to SK Energy and its parent is outlined in the ES.
- 9.8 The Company currently has only one area of interest and leaves itself open if the existing tenements prove not to be commercially viable. Diversification into a number of mineral tenements areas by acquiring Callabonna that has a suite of uranium projects reduces the risk (but at the same time MKY is taking on commitments).
- 9.9 The chances of the 30,000,000 share options exercisable at 1 cent and the 5,000,000 share options at 2 cents each on or before 31 December 2012 are enhanced but the exercise cannot be guaranteed.
- 9.10 The exercise price of the 60,000,000 Issue Options at 2.5 cents each is in excess of the MKY share price traded on ASX over the past six months (trades were between 0.4 cents and 1.6 cents prior to the announcement of the proposed Acquisition). To exercise the Issue Options it would be likely that this would only be undertaken if the share price of an MKY share was consistently trading above 2.0 cents and the mineral prospects of the MKY Group were highly prospective with some chance of entering into commercial production (for at least one of the areas of interest). Shareholders would benefit from an increased share price and if they so wished could sell their shares at a price greater than the share prices of January to mid July 2009. If the Issue Options are exercised by SK Energy, the Company would issue a further 60,000,000 shares but would receive \$1,500,000 in additional cash funds (within two years of the issue of the Issue Options).

Disadvantages

- 9.11 The number of fully paid ordinary shares on issue initially rises by 657,000,060 to 1,225,561,495 (before exercise of any existing share options and the Issue Options). This represents an approximate 116% increase in the ordinary shares of the Company after the recent August 2009 placement of 73,333,333 shares to raise a gross \$1,100,000 (that may have been difficult to raise in the current market without the proposed Acquisition). 120,000,000 shares (of the 657,000,060 shares) are to be issued to SK Energy and MKY will raise \$2,000,000 from SK Energy.
- 9.12 Currently, the Vendors collectively own 833,332 shares in the Company (0.15%) and if resolutions 1 and 3 are passed, the Vendors collectively will obtain a shareholding interest of approximately 53.68% (48.65% ignoring the Issue Shares to SK Energy). In particular, SK Energy will obtain an approximate 14.69% shareholding interest in MKY and Planet Gas Limited will own 172,800,000 shares in MKY representing a 14.10% shareholding interest and these will be regarded as a cornerstone investors. However these potential significant interests and can also lead to an "overhang" in the market. The Vendors collectively are paying a premium for control in that they are receiving consideration post the 23 July 2009 announcement of between \$9,660,000 and \$12,351,000 (refer paragraph 6.1) but is giving up an asset deemed to be currently valued at between \$3,110,000 and \$12,330,000 (preferred value \$8,100,000) per the AMC Valuation Report.
- 9.13 MKY may need to raise further significant working capital to spend on exploration and evaluation of the Mineral Assets although cash reserves currently are reasonable. It is estimated that an initial program in the first year relating to the Mineral Assets will cost \$500,000. The number of shares that may be issued to raise additional capital is not yet ascertained however any future capital raisings will further dilute the current non associated shareholders interests in MKY.
- 9.14 In general terms, investments in listed mineral exploration companies are high risk and for those shareholders who consider that the proposed Acquisition (acquisition of Callabonna) from the Vendors is a risk worth taking, then the proposed Acquisition under resolution 1 may be reasonable.
- 9.15 The Mineral Assets may not turn out to be commercially viable and thus losses may be incurred.

Other Factors

- 9.16 Callabonna has contract obligations as noted in paragraph 8.3 of this report.
- 9.17 It is noted that SK Energy is subscribing for 120,000,000 Issue Shares in MKY at a cost of \$2,000,000 and SK Energy will also receive 60,000,000 Issue Shares exercisable at 2.5 cents each on or before 2 years from issue date. The subscription price is approximately 1.67 cents per share that is towards the high price of a MKY share over the 8 months to 30 June 2009. It is approximately 39% higher than our preferred pre announcement market value of an MKY share of 1.2 cents and is 11% higher than the 1.5 cent price from the recent \$1,100,000 share placement.
- 9.18 If the 60,000,000 Issue Options are exercised, SK Energy will need to pay MKY a total of \$1,500,000. The exercise price is well in excess of the share price to 30 June 2009 but the exercise price may be lower than the market price of an MKY share at date of exercise.
- 9.19 If all of the tenements to be acquired via the acquisition of Callabonna are granted tenements there is an annual exploration commitment of approximately \$1,379,000. MKY may not have enough funds to meet ongoing commitments and some tenements may need to be sold or farmed out. Alternatively or in conjunction with a sale or farm-out, applications may be made to the SA Mines Department for exemptions from the minimum exploration commitments (that may not necessarily be granted). There may be fines or penalties payable. The Company (via the subsidiaries of Callabonna) may be required to lodge environmental bonds with the SA Mines Department once it acquires Callabonna although this may be unlikely in the short term.

10. Conclusion as to Reasonableness

10.1 After taking into account the factors referred to in 9 above and elsewhere in this report, we are of the opinion that the proposed Acquisition as noted in paragraph 1.2 and resolution 1 in the Notice may be considered, on balance, to be reasonable to the non-associated shareholders of MKY.

11. Sources of Information

11.1 In making our assessment as to whether the proposed Acquisition as noted in paragraph 1.2 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, the Mineral Assets and Callabonna that is relevant to the current circumstances. In addition, we have held discussions with the management of MKY about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of MKY.

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

- Draft Notice's of MKY and draft Explanatory Statements to Shareholders prepared in July 2009;
- Discussions with management and directors of MKY;
- Details of historical market trading of MKY ordinary fully paid shares recorded by ASX for the period 1 November 2008 to 11 August 2009;
- Shareholding details of MKY as supplied by the Company's share registry as at 10 August 2009;
- Un-audited balance sheet of MKY as at 31 December 2008 and 30 June 2009;
- Announcements made by MKY to the ASX to 11 August 2009;
- The Share Sale Agreement between MKY and the Callabonna Vendors signed in July 2009 (and drafts of May and June 2009);
- The Independent Valuation Report of AMC of 11 August 2009;
- The cash flow forecasts of MKY for 2009;
- The estimated annual minimum mineral expenditure commitments of the Callabonna Group;
- The Commercial Agreement, Subscription Agreement and Korean Marketing Agency Agreement between MKY and SK Energy of July 2009;
- Un-audited accounts of Callabonna for the year ended 30 June 2008 and the year ended 30 June 2009; and
- Callabonna group contracts with NuPower and SK Energy.

11.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES



**J P Van Dieren - FCA
Director**

APPENDIX A**AUTHOR INDEPENDENCE AND INDEMNITY**

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 12 August 2009, relating to acquiring all of the share capital of Callabonna as outlined in paragraph 1.2 of the report and resolution 1 in the Notice of Meeting to Shareholders to be distributed to shareholders in August 2009.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with MKY or Callabonna other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$16,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in MKY or Callabonna. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice. A predecessor firm to Stantons International Securities has prepared two independent expert reports for MKY, one in 2006 and one in 2008.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Pty Ltd are the directors of Stantons International Securities and its affiliated company Stantons International Services Pty Ltd. Stantons International Securities and Stantons International Services Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

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

DECLARATION

This report has been prepared at the request of the Directors of MKY in order to assist the shareholders of MKY to assess the merits or otherwise of the proposals to acquire all of the shares in Callabonna as outlined in resolution 1 and the Explanatory Statement to which this report relates. This report has been prepared for the benefit of MKY's shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of MKY, its assets and Callabonna, its subsidiary and their Mineral Assets. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of MKY or the Callabonna Group. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities, Stantons International Pty Ltd, and Stantons International Services Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

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

- a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd) to recover any loss or damage which MKY may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by MKY; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd) against any claim arising (wholly or in part) from MKY or any of its officers providing Stantons International Securities any false or misleading information or in the failure of MKY or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

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

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 12 August 2009**

1. Stantons International Securities ACN 103 088 697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

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

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

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

- Securities (such as shares, options and notes)

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

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

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

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

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

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

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

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

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9.1 Internal complaints resolution process

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

The Complaints Officer
Stantons International Securities
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical,

and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

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

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

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

10. Contact details

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

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11 August 2009

The Directors
MKY Resources Limited
6 Powlett St
EAST MELBOURNE VIC 3002

Dear Sirs

INDEPENDENT CONSULTING GEOLOGIST'S REPORT

On 23 July 2009 MKY Resources Limited (MKY) announced a proposal to merge with unlisted uranium explorer Callabonna Uranium Limited (Callabonna). MKY commissioned AMC Consultants Pty Ltd (AMC) to provide MKY with an Independent Geologist's Report ("the Report") on the exploration properties of Callabonna and to provide Technical Values for the Callabonna exploration properties in accordance with the VALMIN Code¹. This valuation will be included in documentation for the proposed transaction between MKY and Callabonna.

The Callabonna exploration properties comprise:

- Curnamoia Uranium Project.
- Arunta Uranium Project.
- Beetaloo Uranium Project.
- Callabonna Energy Project.

The Report has been prepared independently and in accordance with the Code and Guidelines for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2005 (the "Valmin Code"). It is a Technical Assessment Report as defined in the Valmin Code.

¹ Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, The VALMIN Code 2005 Edition, Prepared by The VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

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In letters relating to AMC's engagement, MKY has agreed to comply with the obligations of the commissioning entity under the VALMIN Code, including that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information has been made.

In preparing the Report, AMC has relied on information provided by MKY and Callabonna and AMC has no reason to believe that information is materially misleading or incomplete or contains any material errors. MKY has been provided with a draft of AMC's report to enable correction of any factual errors and notation of any material omissions. The views, statements, opinions and conclusions expressed by AMC are based on the assumption that all data provided to it by MKY and Callabonna are complete, factual and correct to the best of MKY's knowledge. In the preparation of this Report, AMC reviewed material, technical and management reports, and held discussions with both MKY and Callabonna management and technical staff. AMC has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards and are based on data that AMC considers to be of acceptable quality and reliability.

AMC has not visited the exploration properties, as all projects are either early stage exploration projects or the prospective areas are beneath significant cover. Since there has been no recent drilling the normal importance attached to making a site visit was diminished and AMC did not consider it material to undertake such visits.

When valuing Callabonna's exploration assets, AMC has considered methods commonly used in Australia to value exploration projects. These methods are discussed in the Report. The VALMIN Code defines a Technical Value as an assessment of future net economic benefit and a Fair Market Value as one which adds to or subtracts from a Technical Value a premium or discount relating to market, strategic or other considerations. AMC's values of exploration assets are Technical Values.

AMC has not been commissioned to carry out an independent review of the status of Callabonna's tenements but has been provided with a copy of an independent 'Solicitors' Report on Tenements' (O'Loughlins, 2009) dated 20 July 2009 by MKY. AMC has reviewed the report and is satisfied that it properly describes the status of exploration tenements and related issues. The tenements are comprised of Exploration Licences (ELs), an Exploration Licence Application (ELA) and Geothermal Exploration Licences (GELs). While no explicit opinion is expressed on the validity of the tenements by O'Loughlins and there are ongoing matters related to tenement expenditure and renewal which are in process, the validity of the tenements is not likely to affect the ongoing value of the Callabonna tenements. AMC notes that Callabonna has, subsequently to the issuing of the O'Loughlins report, received the renewals for EL3841, EL3842 and ELs 3844 – 3847, from the Department of Primary Industries and Resources, South Australia (PIRSA). These tenements form part of the South Australian Curnamona Uranium project.

In AMC's opinion the technical value of Callabonna's exploration projects can be summarised as follows:

Project	Technical Values		
	Low	High	Preferred
Curnamona Uranium	\$2.6M	\$11M	\$7.2M
Arunta	\$0.2M	\$0.7M	\$0.45M
Beetaloo	\$0.25M	\$0.5M	\$0.38M
Callabonna Energy Project	\$0.06M	\$0.13M	\$0.1M
Total			\$8.1M

AMC's preferred technical value for the Callabonna exploration projects is \$8.1M.

While not specifically impacting on the Technical Values of the tenements, AMC believes the combined management and exploration experience of the merged company will positively influence its future prospects.

The Report has been prepared by Mr P.T. Stoker, Principal Geologist, AMC, and peer reviewed by Mr M. Thomas, Director, AMC, both of whom are corporate members of The Australasian Institute of Mining and Metallurgy.

Yours faithfully



P.T. Stoker
Principal Geologist



M. Thomas
Director

CONTENTS

1	SUMMARY	1
1.1	Introduction.....	1
1.2	Exploration Properties and Potential	1
1.3	Callabonna's Exploration Programmes and Budgets	3
1.4	MKY Callabonna Management, Technical Staff and Corporate Considerations	3
2	URANIUM PROPERTIES.....	5
2.1	Curnamona Uranium Project (Callabonna 100%, ELs 3350 – 3354, EL3841, EL3842, ELs 3844 – 3847, EL4224, EL4274, and ELA 082/2009) ..	5
2.1.1	General Description.....	5
2.1.2	Description of EL3841, EL3842, ELs 3844 – 3847, EL4224, EL4274, and ELA 082/2009	6
2.1.3	Description of ELs 3350 – 3354	8
2.1.4	AMC Opinion	9
2.1.5	Valuation.....	10
2.2	Arunta – Northern Territory (Callabonna 100%, EL26006, EL26012 and EL26040).....	11
2.2.1	Description.....	11
2.2.2	Description of ELs 26006, Mt Hay and 26012, Undoolya.....	11
2.2.3	Description of EL26040 Mt Doreen	13
2.2.4	AMC Opinion	13
2.2.5	Valuation.....	13
2.3	Beetaloo – Northern Territory (Callabonna 100%, ELs 25956 – 25958)	14
2.3.1	General Description.....	14
2.3.2	AMC Opinion	18
2.3.3	Valuation.....	18
3	GEO THERMAL PROPERTY.....	19
3.1	Callabonna Energy Project – South Australia (100% Callabonna Energy Pty Ltd, a subsidiary of Callabonna).....	19
3.1.1	Description.....	19
3.1.2	Exploration Program.....	21
3.2	AMC Opinion	22
3.3	Valuation	23
4	REFERENCES	24
5	QUALIFICATIONS.....	26

TABLES

Table 3.1	Callabonna Energy Project Tenement Details.....	19
Table 3.2	Callabonna Energy Project – Revised Five Year Work Program	22

FIGURES

Figure 1.1	Location of Callabonna Projects	2
Figure 2.1	Callabonna Tenements.....	5
Figure 2.2	Curnamona Project Location	6
Figure 2.3	Schematic Reconstruction of Palaeo-Drainage and Location of Union Corp Holes.....	7
Figure 2.4	East West Section through Hole D10	7
Figure 2.5	Location of Arunta Tenements with Basement Geology.....	12
Figure 2.6	Location of the Beetaloo Project and Callabonna Tenements.....	14
Figure 2.7	Surface Geology of the Beetaloo Basin.....	16
Figure 2.8	Bouguer Gravity Image of the Beetaloo Basin with Petroleum Wells	17
Figure 2.9	North-South section through the Beetaloo Basin.....	17
Figure 3.1	Callabonna Energy Project Location (Callabonna website).....	19
Figure 3.2	Geothermal Exploration Licences in the Callabonna Area, S.A.	20
Figure 3.3	Total Magnetic Intensity Map of the CEP Area.....	21

APPENDICES

APPENDIX A Glossary

Distribution list:

3 copies to Mr S McCaughey, Managing Director, MKY Resources Limited
1 copy to AMC Brisbane office

1 SUMMARY

1.1 Introduction

On 23 July 2009 MKY Resources Limited (MKY) announced a proposal to merge with unlisted uranium explorer Callabonna Uranium Limited (Callabonna). MKY commissioned AMC Consultants Pty Ltd (AMC) to provide MKY with an Independent Geologist's Report ("the Report") on the exploration properties of Callabonna and to provide Technical Values for the Callabonna exploration properties in accordance with the VALMIN Code. This valuation will be included in documentation for the proposed transaction between MKY and Callabonna.

This Report reviews the Callabonna Uranium Limited (Callabonna) exploration projects and provides an estimate of Technical Values for those properties.

The projects reviewed are largely at an early stage of exploration and methods for valuing such projects are subjective. AMC's approach is to consider as many methods as are relevant to a particular project and to choose from the indicated values a range which it considers appropriate. Limited use, if any, is made of share market indicators given the volatility of markets for speculative exploration. The values accordingly are Technical Values as defined by the VALMIN Code.

The available methods used in valuing exploration properties include:

- The Past Expenditure method which applies a Prospectivity Enhancement Multiplier (PEM) to effective past expenditure.
- Use of Actual Transactions for the project being reviewed or more frequently recent Comparable Transactions applicable to projects considered to have similarities with that under review. Many of these transactions are of a joint venture nature which provide a deemed expenditure to the interest of the vendor at the time of the transaction, that interest normally being 100% of the project. That deemed expenditure is discounted for the time involved in completing the earn in requirement and for the probability of that earn in being completed to obtain a value of the project at the time of the transaction.
- Yardstick Values, derived from Comparable Transactions, where there are mineral resources or mineralisation potential that can be reasonably quantified.
- Values per unit area of tenement derived from Comparable Transactions. Values per unit area usually decrease with increase in the size of the tenement package.

AMC's preferred values are the average of the low and high values.

1.2 Exploration Properties and Potential

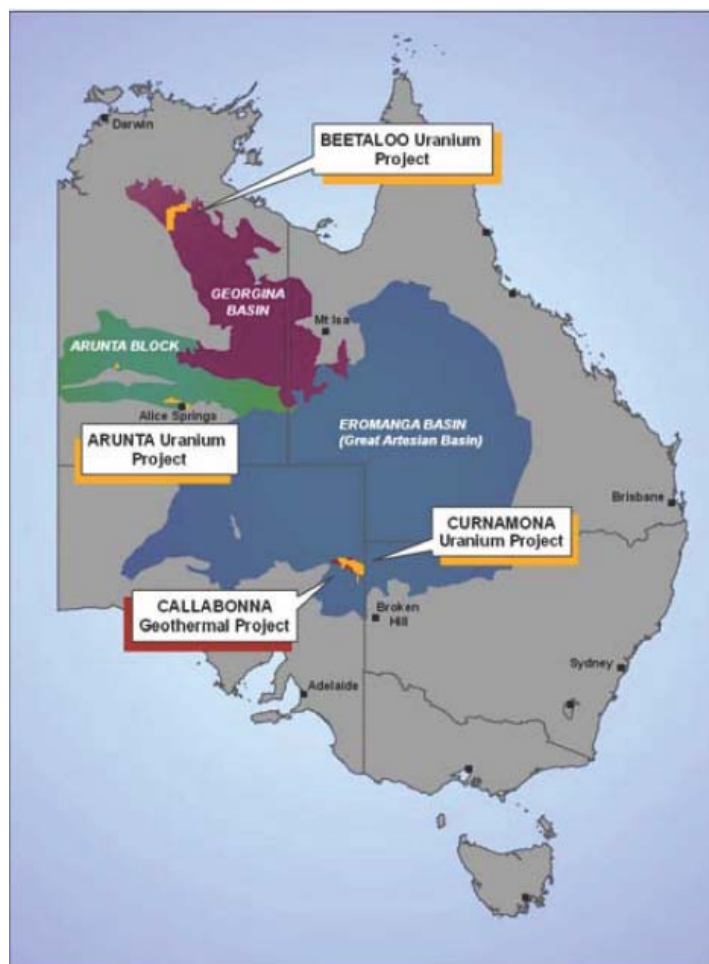
Callabonna's portfolio of exploration properties in South Australia and the Northern Territory is described in Sections 2 and 3 of this Report and comprises:

- Curnamoa Uranium Project.
- Arunta Uranium Project.

- Beetaloo Uranium Project.
- Callabonna Energy Project.

The location of these projects is shown in Figure 1.1.

Figure 1.1 Location of Callabonna Projects



AMC reviewed exploration and management information relating to these properties. AMC has not visited the exploration properties, as all projects are either early stage exploration projects or the prospective areas are beneath significant cover. Since there has been no recent drilling the normal importance attached to making a site visit was diminished and AMC did not consider it material to undertake such visits.

Callabonna's principal uranium project, the Curnamona Uranium project, is located in the Frome Embayment over the north-eastern margin of the Curnamona Craton in north-eastern South Australia. This region hosts the operating Beverly mine a sedimentary uranium deposit in palaeo-channels. There is potential for the discovery of sedimentary uranium in Tertiary palaeo-channels identified during reconnaissance exploration in 1973. This prospectivity has been enhanced by a recent Airborne Electromagnetic (AEM) survey completed by Callabonna in 2008. Other uranium

projects are located in the Northern Territory within the Arunta Block, where there is potential for calcrete uranium mineralisation and at Beetaloo in the Georgina Basin, where an evaluation program of previous petroleum drilling indicates potential for the discovery of Uranium deposits in reducing environments.

The Callabonna Energy Project (CEP) is located approximately 550 km north of Adelaide in central east South Australia in an area considered prospective as a source of hot dry rock geothermal energy. AMC considers that the CEP is considered to have a reasonable expectation of locating elevated geothermal gradients favourable for geothermal energy production.

1.3 Callabonna's Exploration Programmes and Budgets

The exploration programmes originally planned by Callabonna are likely to be undertaken in modified form by the merged company. AMC believes that since it is proposed to retain senior exploration and management staff from both companies in the merged company, the exploration programmes will follow the philosophy established by Callabonna and the final exploration budget should enable the programme to be carried out in a logical manner.

The Curnamona Uranium project is almost at a drill-ready stage. The other uranium properties still require additional preparatory work prior to selection of drill targets.

The proposed exploration expenditure notified to the Department of Primary Industries and Resources, South Australia (PIRSA) and the Northern Territory Department of Mines is in all cases either the expenditure commitment required by the tenement conditions or in the case of the Curnamona Uranium project in excess of that commitment. In AMC's opinion, the merged company has a satisfactory exploration and expenditure programme which is reasonable having regard to its stated objectives, and the exploration properties have sufficient technical merit to justify the budgeted exploration and expenditure programme.

1.4 MKY Callabonna Management, Technical Staff and Corporate Considerations

In AMC's opinion, the proposed management team for the merged company, which results from the combination of the two companies staff, is well qualified and experienced and able to conduct effective exploration of its properties. The proposed board includes experienced explorationists, derived from both companies management. The proposed Managing Director of the merged company, Mr Stephen McCaughey, has wide mining industry and related experience and will be supported by experienced geologists from Callabonna including Mr Michael Raetz and Dr Andrew Wilde.

In addition to this ability to effectively manage the current portfolio of projects, AMC has formed the opinion that the merging of the staff from Callabonna brings opportunities for further acquisition of prospective ground based on their experience and exploration concepts. This ability has already been demonstrated in the acquisition of the current Callabonna tenements.

The potential acquisition of Callabonna by MKY has also introduced a new major investor to MKY. SK Energy International Pte Ltd (SK Energy) has agreed to honour a previous commitment to subscribe for 120M MKY shares plus 60M options for a consideration of \$2.0M. In addition SK Energy is appointed as the exclusive sales and marketing agent for future uranium sales in the Republic of Korea. SK Energy also has the right (subject to Australian laws) to purchase at least 20% of the merged company's uranium concentrate production, at terms no less favourable to SK Energy than the terms granted to any third party.

While not specifically impacting on the Technical Values of the tenements, AMC believes these factors will positively influence the future prospects of the merged company.

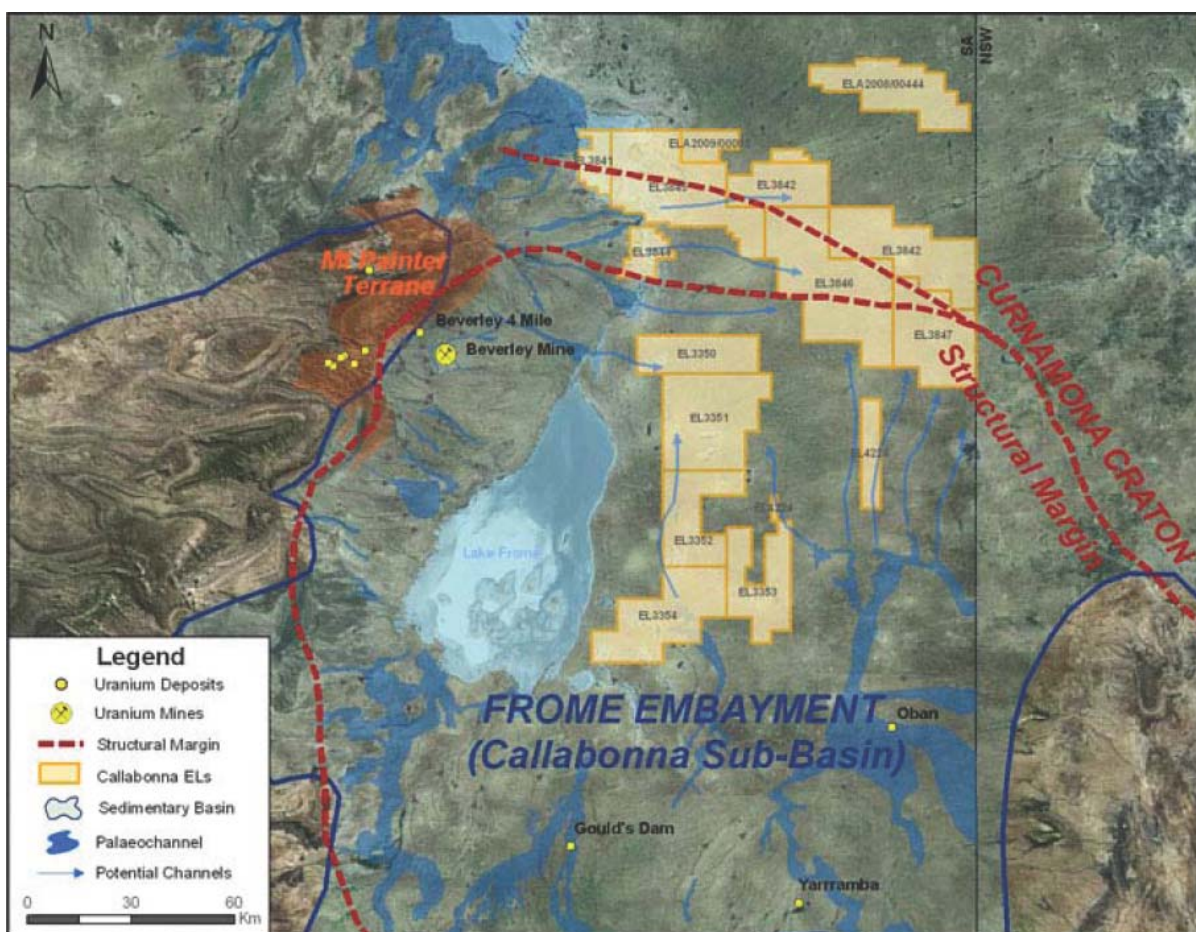
2 URANIUM PROPERTIES

2.1 Curnamona Uranium Project (Callabonna 100%, ELs 3350 – 3354, EL3841, EL3842, ELs 3844 – 3847, EL4224, EL4274, and ELA 082/2009)

2.1.1 General Description

Callabonna holds 14 tenements covering an area of 6,524 km² located in the Frome Embayment over the north-eastern margin of the Curnamona Craton, and east of Lake Frome in north-eastern South Australia, Figure 2.1.

Figure 2.1 Callabonna Tenements



Source: Republic Gold Limited ASX announcement 24 July 2009 (Note ELA 2009/08444 is granted as EL4274)

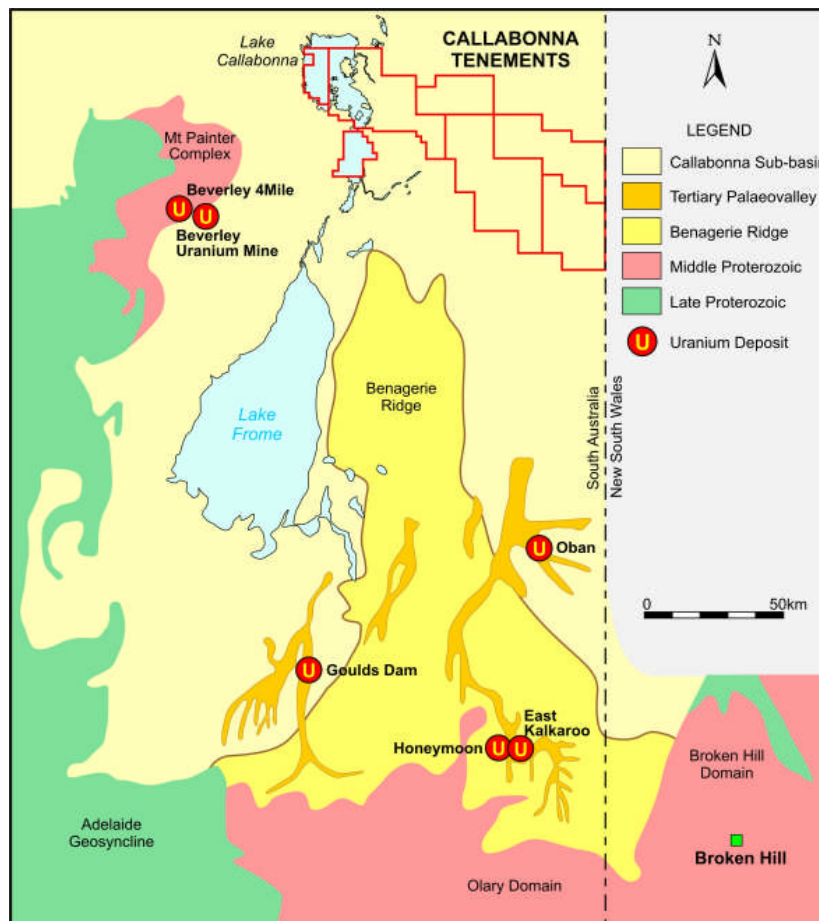
This region hosts the operating Beverly mine, a sedimentary uranium deposit located in palaeo-channels in the drainage system. Similar deposits occur at Honeymoon, East Kalkaroo, Goulds Dam, Oban and Beverly Four Mile in similar sedimentary packages. There is potential for the discovery of sedimentary uranium in Tertiary palaeochannels identified during reconnaissance exploration in 1973. This prospectivity has been enhanced by a recent Airborne Electromagnetic (AEM) survey completed by Callabonna in 2008.

Tertiary sediments of the Callabonna Sub-basin and Mesozoic sediments of the Eromanga unconformably overly Cambrian rocks deposited in the eastern part of the Arrowie Basin (Bravo, 2009). Basement rocks below the Arrowie Basin comprise Precambrian metamorphics and granites of the Curnamona Craton and include the Benagerie Ridge, a north trending palaeo-basement high which controlled sedimentation in the southern part of the Curnamona Craton during the Lower Tertiary (Bampton et al., 2001). The geology of these tenements is generally similar to that described at Honeymoon (Stoker, 2001).

2.1.2 Description of EL3841, EL3842, ELs 3844 – 3847, EL4224, EL4274, and ELA 082/2009

This group of tenements is located over the north-eastern margin of the Curnamona Craton, Figure 2.2, about 90 km north-east of Beverly and 230 km north-north-west of Broken Hill.

Figure 2.2 Curnamona Project Location



Source: Callabonna Uranium Limited, Draft Prospectus, 2008

Exploration of this area commenced in the 1970's when Union Corp (Australia) Pty Ltd (Union Corp) managed a joint venture between Union Corporation Ltd of South Africa and Compagnie Francais des Petroles of France over areas partly overlapping with

Callabonna's tenements. Union Corp reported (Union Corp, 1973) that a reconnaissance drilling programme at approximately 6.4 km spacing had returned anomalous radioactivity from holes D10 and F9. Union Corp conducted a limited follow up drilling program of 13 holes spaced at approximately 200m around these two holes and identified a palaeo-channel at the D10 location, see, Figures 2.3 and 2.4 (from Callabonna Uranium Limited, Draft Prospectus, 2008 after Union Corp 1973).

Figure 2.3 Schematic Reconstruction of Palaeo-Drainage and Location of Union Corp Holes

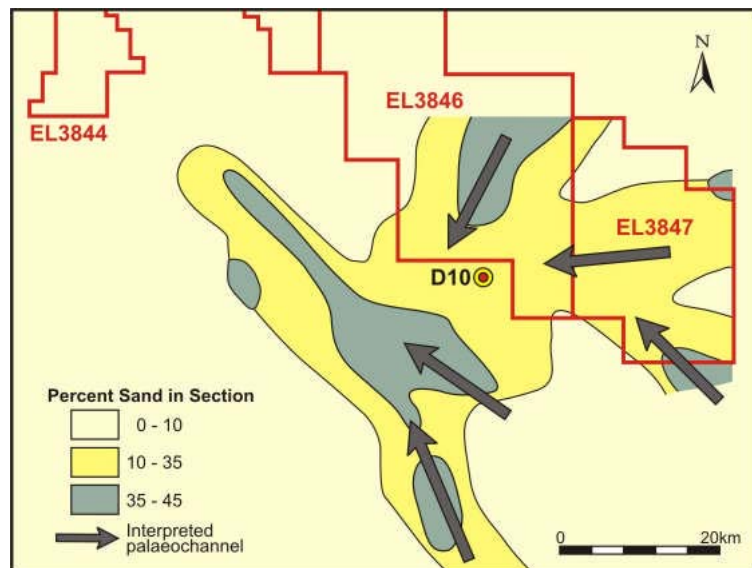
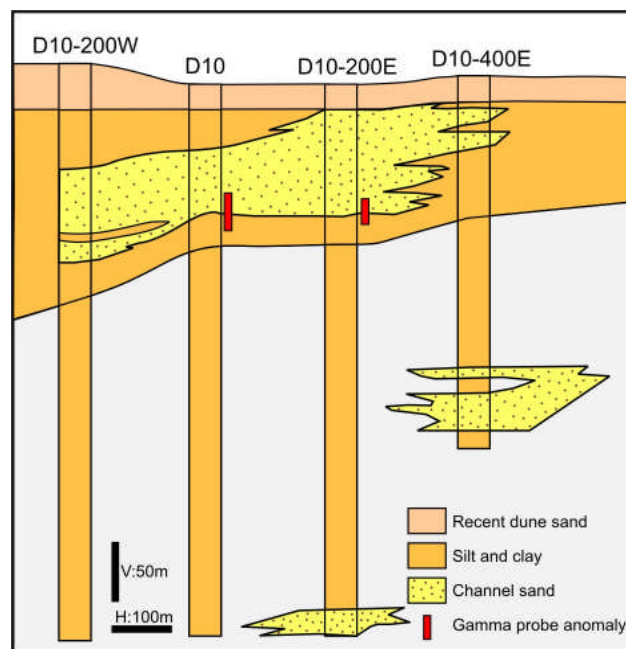


Figure 2.4 East West Section through Hole D10

(Refer Figure 2.3 For Hole Location)



An AEM Survey completed by Callabonna in 2008 over this northern tenement block was designed to delineate shallow (<120m) Tertiary aged channels within the basin sediments. The survey has been interpreted by consultants for Callabonna (McInnes, 2008 and RMIT, 2008) successfully locating several interpreted Tertiary palaeo-channels.

Callabonna had planned as the next stage (preliminary proof of concept only) to drill holes in the areas which already have approval from the Environment, Resources and Development Court of South Australia. This would be about 50 holes and each would finish at around 120m – 150m in the Bulldog shale below the Eyre Formation. These would be rotary mud holes with each hole wireline logged. The aim is both to drill cross sections as well as the lengths of the channels to test for redox boundaries. It is proposed that a minimum of five holes would be cased as pre-collars in readiness for diamond tails for the Callabonna Energy Project (see section 3 of this report). Curnamona Uranium estimate the cost of this next stage would be approximately \$500,000, which with other expenditure is reasonable compared to the expenditure commitment required by the tenement conditions on the group of tenements for the next year of approximately \$675,000.

2.1.3 Description of ELs 3350 – 3354

Callabonna acquired ELs 3350 – 3354 in April from Newcrest Mining Limited (Newcrest). These tenements formed part of Newcrest's Benagerie Ridge Project, with the primary target of Newcrest's exploration activities being the "iron oxide-copper gold" family of mineral deposits within the Curnamona Craton. The Craton is covered in the project area by variable thicknesses of Great Artesian Basin sediments, which Callabonna consider to be generally similar to the other Callabonna tenements, and prospective for palaeo-channel sandstone hosted uranium deposits.

The location of these tenements to the east of Lake Frome over the Benagerie Ridge is shown in Figure 2.1.

In the letter seeking renewal of the tenements Newcrest on behalf of Callabonna noted that for ELs 3350 to 3354, that the prescribed expenditure commitments for the year ending 23 May 2009 would be met. Accordingly, renewal was sought in respect of areas less than 75% of the tenement areas currently in force, as stipulated under the tenement conditions, but with a delay to allow the planned aerial electromagnetic survey to proceed prior to area reduction. PIRSA has not yet communicated a determination on the renewal applications.

The specific work programs and proposed expenditure for EL3350 – EL3354 included in the renewal application to PIRSA are listed below.

- AEM survey minimum 2.5 km line spacing over all the tenements, followed immediately by 25% area reduction.
- Biogeochemical screening research over all interpreted channel or onlap target regions.
- Rotary Mud or, if feasible, RC drilling with radiometric logging of all holes.

- Estimated expenditure of AEM \$200,000 and \$500,000 on drilling.

The total planned expenditure for EL3350 – EL3354 reported to PIRSA for the year ending 23 May 2010 is \$700,000, compared to a likely expenditure commitment required by the tenement conditions for this group of tenements of \$385,000 for the next year.

AMC has been advised that PIRSA has declined to register the transfer of the tenements from Newcrest to Callabonna as the sale agreement is not acceptable to PIRSA. MKY advises the terms of the agreement will be revised but the transfer will not occur until after the merger between Callabonna and MKY is completed.

2.1.4 AMC Opinion

The Curnamona Project has potential for discovery of sediment – hosted uranium deposits in poorly explored interpreted palaeo-channels and this is supported by the existence of other known deposits in the general area of the tenements.

AMC has been informed that the merged company's exploration program at Curnamona will be focused, in the immediate future, on the drilling of the proof of concept holes in the northern tenement block and undertaking an AEM survey in the tenements recently acquired from Newcrest. AMC believes that the planned exploration strategy and programme is appropriate and the budget reasonable.

Two of the premises underpinning Callabonna's exploration strategy are of particular importance:

- Tertiary palaeo-channels are interpreted from the recent AEM survey to be distributed across the northern tenement areas, and it is possible these may also exist in the ex-Newcrest tenements.
- Previous Union Corp reconnaissance drilling has indicated the existence of a palaeo-channel environment. Based on this drilling it is postulated that this area is similar stratigraphically to those hosting the Beverley, Honeymoon and recently discovered Beverley Four Mile uranium deposits.

AMC is of the opinion that the conditions required for the formation of roll-front deposits, including the appropriate depositional palaeo environment, uranium source and suitable reducing environment are present within the Callabonna tenements. With less than half of the tenement area investigated by the earlier Union Corp reconnaissance drilling there is significant potential for discovering uranium mineralisation in palaeo-channels interpreted from the AEM but yet to be fully defined. In this regard AMC notes that a 3D conductivity thickness inversion modelling study was completed using the 'EM Flow' software (RMIT, 2009) and AMC considers that the underlying electrical structure shows a number of deep, wide, linear, branching features that would be consistent with an interpretation that a number of significant palaeo-channels are present and cross the survey area.

In AMC's opinion the future prospectivity is enhanced by the earlier success of the Union Corp grid based reconnaissance drilling. The merged company's drilling program

will be guided by the interpreted results of the recent AEM survey, providing a more targeted drilling approach with, in AMC's opinion, greater chances of success.

There may well be potential for iron oxide-copper gold in the basement rocks, but AMC considers this a secondary consideration given the clear focus on uranium exploration by Callabonna.

2.1.5 Valuation

AMC has reviewed the expenditure recorded by Callabonna and Newcrest against these tenements and notes the overall expenditure on the current tenements as being approximately \$1.3M. Almost all of the expenditure on the northern tenements (approximately \$0.7M) is directly relevant to the exploration targets. For the tenements acquired from Newcrest, most of the Newcrest expenditure has been focussed on "iron oxide-copper gold" targets within the Curnamona Craton. AMC considers approximately 50% of the current expenditure is potentially relevant to the current exploration programme, or \$0.3M, making current relevant expenditure \$1M. AMC does not consider that the delay in transferring the tenements from Newcrest affects the inclusion of the allowance for Newcrest expenditure.

The level and value of historical expenditure is more difficult to gauge, Union Corp recorded \$0.175M expenditure (Union Corp, 1973). Whilst less than half of the drilling conducted was over Callabonna tenements, nevertheless much of the information will be relevant to the targeted exploration which the merged company will undertake. AMC considers 75% of the expenditure as relevant and has factored the result by 3.9 to allow for inflation from June 1973 to June 2009, or \$0.5M.

Using the Past Expenditure Method (PEM) and applying a moderately high PEM of around 1.5 to 2.0 to the effective past expenditure indicates a value in the order of \$2.2M to \$3M for these tenements, with a mid-point of \$2.6M.

Relevant Comparable Transactions include the farm-in and joint venture between Alliance Resources Limited and Quasar Resources Pty Ltd over the Arkaroola tenement where the Four Mile deposits have been discovered. The terms of the farm-in resulted in Quasar having to spend \$0.45M to earn a 75% interest in the project and then free carry Alliance to a decision to mine. Alliance report Quasar expended approximately \$40M to the decision to mine. While the tenement is now clearly understood to be prospective for both sediment hosted uranium deposits and possibly base and precious metals in the basement at the inception of the agreement, the eventual success was by no means well recognised. In AMC's opinion it is possible the magnitude of the expenditure eventually required may not have been fully appreciated at the time of negotiating the farm-in agreement. The initial exploration discovery was made after the expenditure of approximately \$0.4M. Dependent on when the transaction is viewed a wide range of transaction values can be implied for the Alliance tenement. AMC estimates project values ranging from \$0.3M to greater than \$50M dependent on whether the value for the Arkaroola project is estimated at farm-in or at decision to mine. Applying these inputs to the Curnamona project at the present time, recognising the clearly higher prospectivity of Arkaroola at agreement signing, but with a better market appreciation of prospective uranium projects produces a wide range of values for Curnamona. While there is less likelihood of such a large interest being acquired for such a low level of initial

expenditure there is also likely to be a better appreciation of the expenditure required to reach a decision to mine and formation of a contributing joint venture. AMC considers the range of likely values to be \$0.45M to \$16.5M, with a mid-point of \$8.5M.

The current market capitalisation of Alliance, which is based almost entirely on the Four Mile deposit, is approximately \$220M, which can be interpreted as placing a value on the Four Mile property of in excess of \$800M. With a range probability of success factors from 0.005 to 0.01 on the discovery of similar deposits within the Curnamona project then the tenement package value would range between \$4.5M to \$18M with a mid-point of \$11M.

One recent transaction has quoted a yardstick value range per tenements with potential for palaeo-channel uranium deposits of \$500 to \$1,500 per km². Applying these yardstick values to the 6,524 km² of the Curnamona tenements, results in values between \$3M and \$10M with a mid-point of \$6.5M.

Considering the values for the Curnamona project, which result from these various methods, AMC places a range of Technical Value of \$2.6M to \$11M, with a preferred value (the average of the mid-points of all the methods) of \$7.2M.

2.2 Arunta – Northern Territory (Callabonna 100%, EL26006, EL26012 and EL26040)

2.2.1 Description

The Arunta project comprises three ELs with a total area of 1,337 km² in the Arunta Block in the Northern Territory. The location of these tenements is shown in Figure 2.5. EL26006 and EL26012 are located 50 km of Alice Springs while EL26040 is located approximately 300 km north-west of Alice Springs. The tenements are all prospective for uranium mineralisation.

Expenditure on these tenements to date is of the order of \$116,000, mainly on EL26006. This compares to an expenditure commitment required by the tenement conditions of \$82,500. Whilst there has been significant previous exploration, as noted below it has not addressed the current uranium target. No historical expenditure records are available to AMC, however for EL26040 Curnamona Uranium have located and reprocessed radiometric surveys conducted by Posgold and RioTinto Exploration and compared the data to previously reported rock chip samples. AMC has estimated a reasonable cost for this as \$100,000.

There appears to have been little previous exploration for uranium over these tenements, with the exception of some geophysics and rock chip samples at Mt Doreen (EL26040).

2.2.2 Description of ELs 26006, Mt Hay and 26012, Undoolya

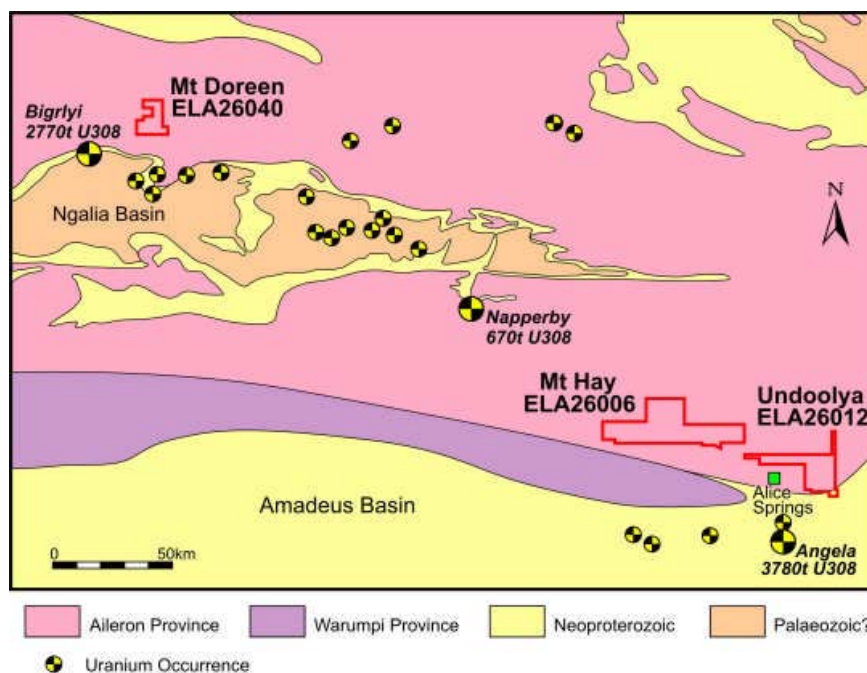
EL26006, currently 100% Callabonna via its wholly owned subsidiary Arunta Uranium Pty Limited, is the subject of the Mt Hay Farm-In and Joint Venture agreement with NuPower Resources Ltd (NuPower). NuPower was obliged to expend a minimum of \$0.1M which would include 600 line kilometres of AEM survey; this survey was

undertaken in 2008. NuPower is entitled to earn a 51% interest in EL26006 by the expenditure of a total of \$0.5M within 3 years of the date of commencement of the agreement, and if Callabonna elect not to contribute at that stage potentially another 19% by the expenditure of a total of \$2M within 5 years of the date of commencement.

EL26012 is held 100% by Callabonna via its wholly owned subsidiary Arunta Uranium Pty Limited.

These two adjacent ELs cover areas prospective for surficial calcrete-hosted uranium mineralisation, which is present in a number of prospects in the Arunta region and nearby Ngalia and Amadeus Basins. Calcrete-hosted uranium deposits are known to develop as near-surface concentrations in sediments within major palaeo-drainage and playa lake systems. They form where uranium-rich granites have weathered in a semi-arid to arid climate. The weathered uranium is transported in drainage systems and re-deposited with sediments cemented by secondary minerals including calcrete, calcite, dolomite, and gypsum. The uranium occurs as carnotite which is deposited as a chemical precipitate late in the formation of the calcrete. The style targeted is similar to that at the nearby Napperby deposit, where resource drilling is currently underway.

Figure 2.5 Location of Arunta Tenements with Basement Geology



Source: Callabonna Uranium Limited, Draft Prospectus, 2008.

On EL26006 NuPower conducted an airborne TEMPEST electromagnetic and magnetic survey, the late time electromagnetic response in this survey appears to well define a dendritic palaeo-drainage channel in the north of the survey area, apparently draining to NW. Gravity and water bore data has also been collected by the joint venture over EL26006.

2.2.3 Description of EL26040 Mt Doreen

EL26040 Mt Doreen is held 100% by Callabonna via its wholly owned subsidiary Arunta Uranium Pty Limited. A principal target of EL26006 is calcrete-style uranium deposits. The presence of uranium enriched granitoids has long been known and Landsat imagery demonstrates several well-developed drainages in the tenement.

This tenement is the priority for Callabonna in the Arunta block with mapping, radiometric traversing and sampling planned to follow up on the results of reprocessing of the earlier geophysical (including radiometric) surveys. This reprocessing has produced uranium anomalies which are supported by some anomalous rock chip samples, with similar samples adjacent to the Curnamona Uranium tenement being reported to contain carnotite.

2.2.4 AMC Opinion

AMC believes that the three tenements are prospective for calcrete-hosted uranium deposits. AMC has not been provided with a fully detailed current exploration programme, but that is understandable given the proposed merger and other delays.

AMC is of the opinion that there is sufficient encouragement from the work already undertaken by NuPower in EL26006 and by Callabonna in reviewing earlier work and that further systematic exploration is warranted on all tenements.

There may be potential for mineralisation with the basement rocks but AMC has considered that of secondary importance given the focus on uranium exploration by Callabonna.

2.2.5 Valuation

AMC has reviewed the expenditure recorded by Callabonna and NuPower against these tenements and notes a total of \$0.116M. The level and value of historical expenditure is more difficult to gauge. Since for EL26040 Curnamona Uranium have located and reprocessed radiometric surveys conducted by Posgold and RioTinto Exploration and the data compared to rock chip samples. AMC has estimated a reasonable cost for this as \$0.1M, thus making total relevant expenditure approximately \$0.216M.

Using the Past Expenditure Method AMC considers applying a moderate PEM range of 1.0 to 1.7 to the total relevant expenditure would be appropriate, indicating a value in the order of \$0.2M to \$0.4M for these tenements.

AMC has evaluated the terms of the farm-in agreement related to EL26040, Mt Doreen, and believes deemed discounted values (using a 9% discount rate) to Callabonna of between \$0.4M to \$0.6M would be reasonable dependent on whether Callabonna elect to allow NuPower to sole fund to a 70% interest.

Using the same yardstick values as for the Curnamona project, that is \$500 to \$1,500 per km², and applying these to the 1,337 km² of the Curnamona tenements, results in values between \$0.7M and \$2M. AMC believes it is more appropriate in this instance to adopt the low value, of \$0.7M.

Considering the values for the Arunta project, resulting from these various methods, AMC places a range of values from \$0.2M to \$0.7M, with a preferred value of \$0.45M.

2.3 Beetaloo – Northern Territory (Callabonna 100%, ELs 25956 – 25958)

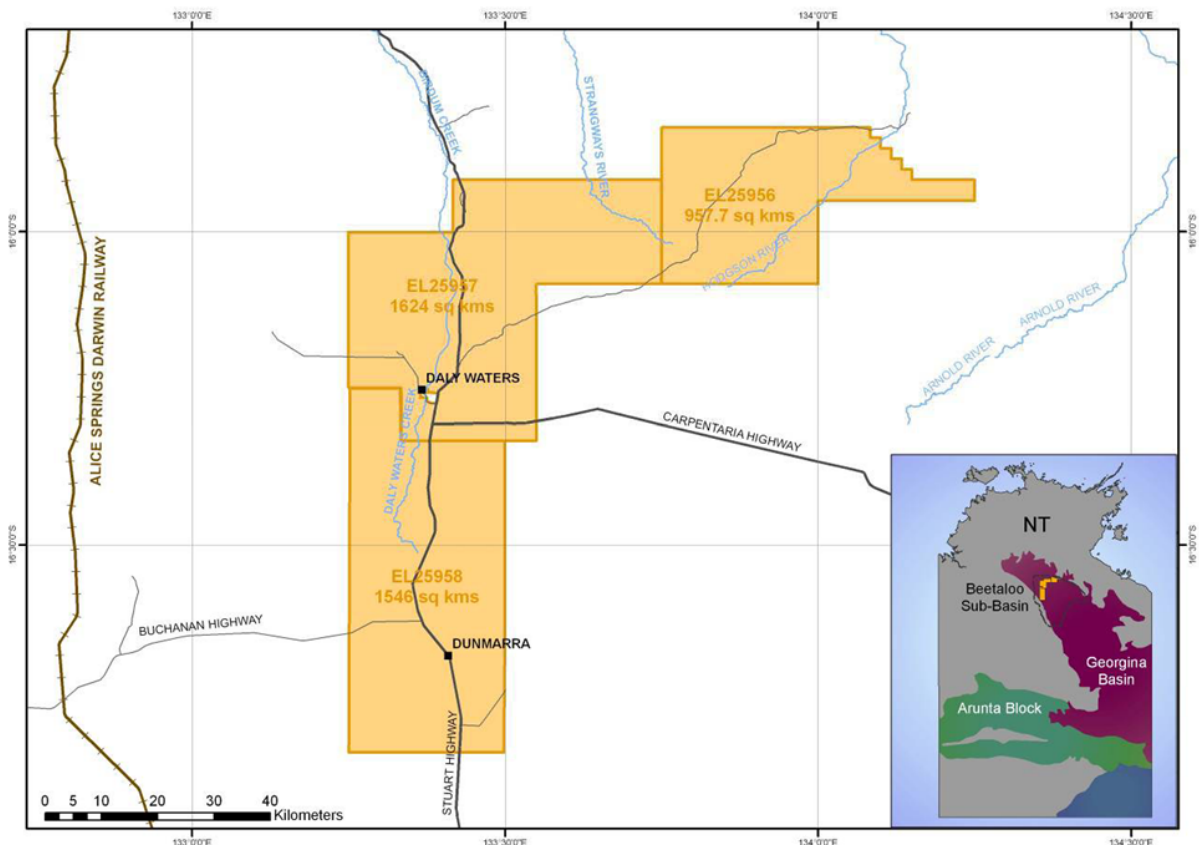
2.3.1 General Description

Beetaloo Uranium Pty Ltd is a 100% owned subsidiary of Callabonna and holds a 100% interest in Exploration Licences 25956, 25957 and 25958, which form the Beetaloo Project and cover an area of 4,128 km². The project is managed by Callabonna.

The first year's exploration program involved desktop review of historic data, existing geological and geophysical data and GIS studies. Expenditure to date on the three ELs by Callabonna is approximately \$25,500, while the expenditure commitment required by the tenement conditions for the ELs is \$236,000 per annum. This group of tenements is significantly underspent due to the delays in exploration experienced by Callabonna.

The location of the Callabonna tenements is shown in Figure 2.6.

Figure 2.6 Location of the Beetaloo Project and Callabonna Tenements

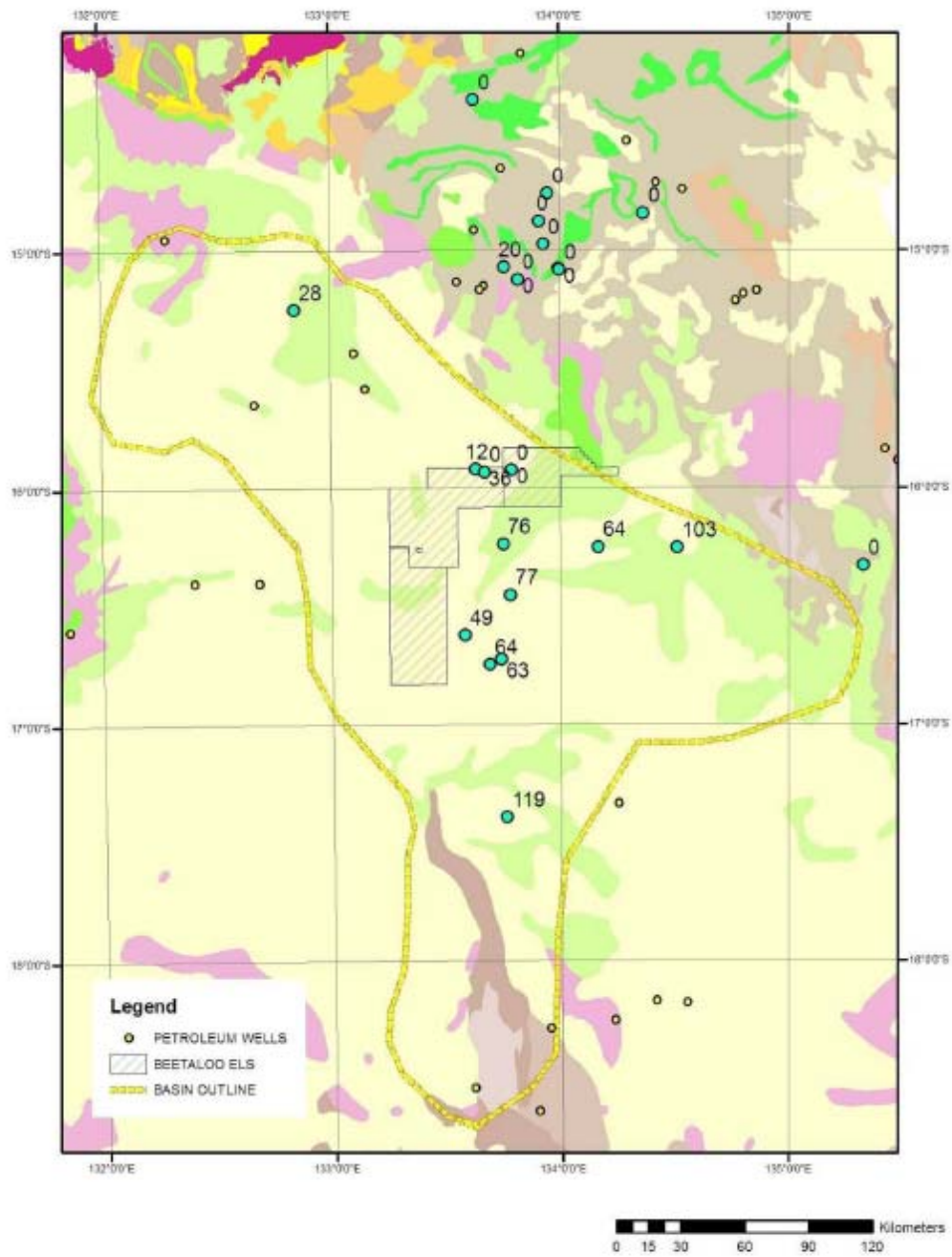


Source: Combined Annual Report for the Period 15 Nov 2007 to 14 Nov 2008 Exploration Licence Numbers 25956, 25957 and 25958 Beetaloo Project.

Callabonna is exploring for uranium hosted in reservoir sands associated with gas and oilfield structures within the Beetaloo basin of Roper Group of Mesoproterozoic sediments, Figure 2.7.

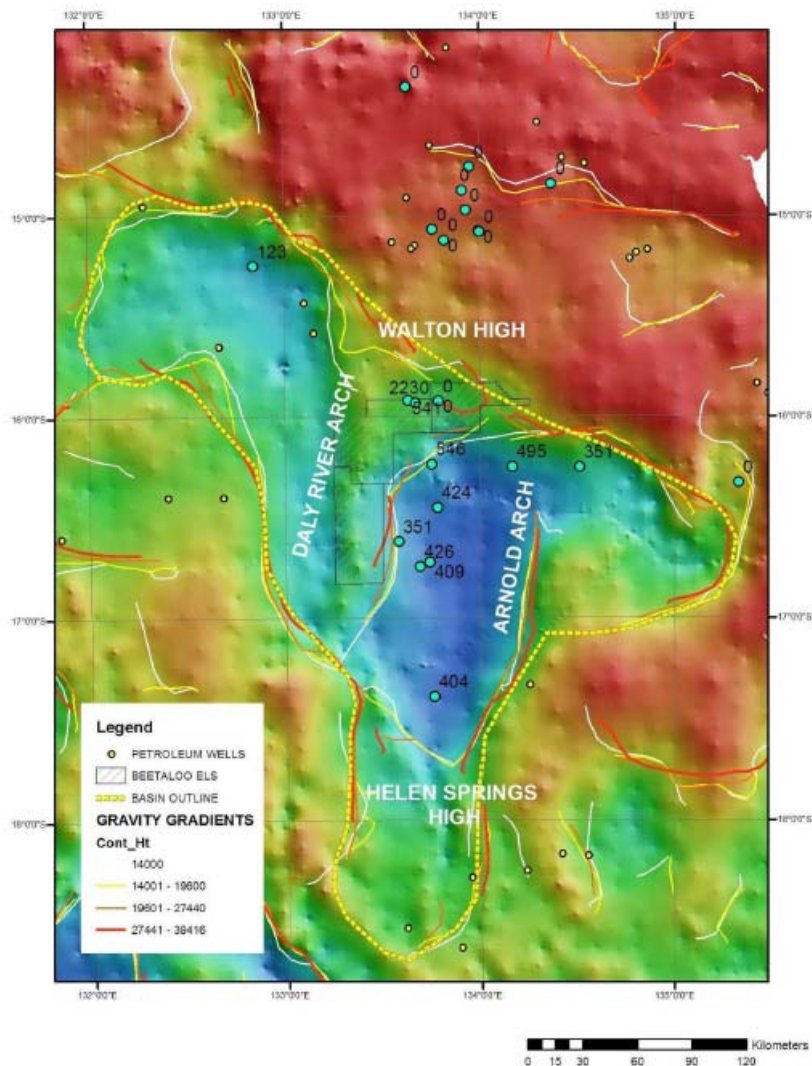
There is limited open file documentation of previous mineral exploration within the tenements and none specifically for uranium. Significant oil and gas exploration has occurred which has recorded anomalous base metals and radioactivity, with uranium values up to 8 ppm U_3O_8 recorded by Planet Gas Limited from a number of oil and gas exploratory wells within the Beetaloo Basin. Recent reviews of the structure of the basin, based on these wells, radiometric logs, seismic surveys and outcropping Roper Group to the north of the Beetaloo basin have outlined potential for shallow targets for suitable trap sites for sediment hosted uranium to occur over the Daly River Arch (Bravo, 2009), see Figures 2.8 and 2.9. These targets are at approximately 200m depth in the Jamison Sandstone. A source for significant uranium is still problematic but nevertheless uranium at greater than normal background has been demonstrated to occur in potential aquifers within the basin.

Figure 2.7 Surface Geology of the Beetaloo Basin



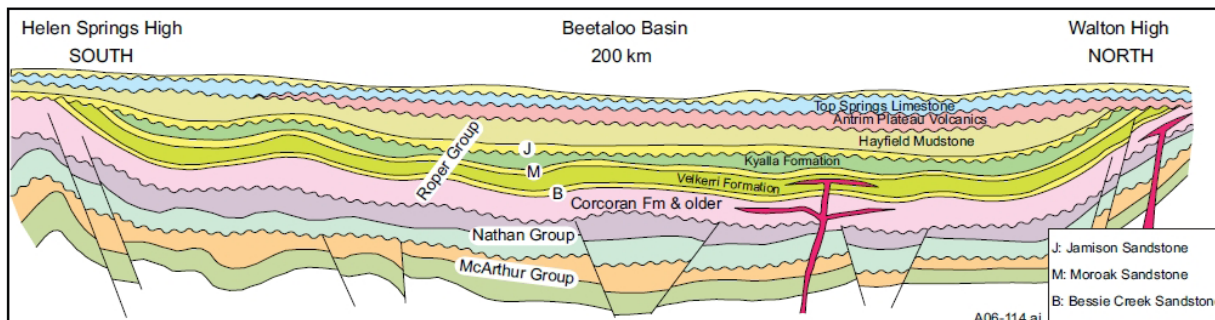
Source Beetaloo Project Annual Report from GA 1:2.5 million scale mapping. Pale yellow is Tertiary veneer, pale green – Cretaceous and pale magenta – Cambrian. Proterozoic outcrop in grey. Numbers are thickness of Cretaceous sediments.

Figure 2.8 Bouguer Gravity Image of the Beetaloo Basin with Petroleum Wells



Source: Beetaloo Project Annual Report (data from NTGS and gravity gradients (“worms”). Black numbers represent the thickness of Cambrian rocks. Yellow dots are mainly BMR holes for which minimal information is available.

Figure 2.9 North-South section through the Beetaloo Basin



Source: Callabonna Uranium Limited, 2008, Beetaloo Project Annual Report.

2.3.2 AMC Opinion

There is limited amount information relating to the uranium prospectivity of the Beetaloo basin so the project is a conceptual exploration play without specific drilling targets. Callabonna indicate that proposed exploration would include further basin studies to determine possible uranium source areas, re-evaluation of the large oil exploration database to identify zones of anomalous radioactivity from well logs and modelling of existing gravity and seismic data to identify structural highs and potential drilling targets.

AMC believes that the planned exploration strategy and conceptual programme is appropriate.

2.3.3 Valuation

Expenditure by Callabonna on these ELs is minimal, a total of \$25,000.

The relevance, level and value of historical oil and gas expenditure is more difficult to gauge, but clearly the geology from well logs, radiometric logs, gravity and seismic surveys provides a significant data set for further target generation. AMC has ascribed a notional current value to Callabonna of this data of approximately \$0.5M. Using the Past Expenditure Method and considering the conceptual nature of the project, AMC consider applying a low PEM range of 0.5 to 1.0 to this notional expenditure would be appropriate, indicating a value in the order of \$0.25M to \$0.5M with a preferred value of \$0.375M for these tenements.

AMC has not considered any alternate valuations for this early stage conceptual project.

3 GEOTHERMAL PROPERTY

3.1 Callabonna Energy Project – South Australia (100% Callabonna Energy Pty Ltd, a subsidiary of Callabonna)

3.1.1 Description

The Callabonna Energy Project (CEP) is located some 550 km north of Adelaide in central east South Australia in an area considered prospective as a source of geothermal energy. Callabonna Energy Pty Ltd (Callabonna Energy), a subsidiary of Callabonna has been granted six Geothermal Energy Licences (GEL's) covering 2,875 km² (Figure 3.1). The tenements are contiguous and were granted in March 2008 for five years (Table 3.1).

Figure 3.1 Callabonna Energy Project Location (Callabonna website)



Table 3.1 Callabonna Energy Project Tenement Details

Tenement	Date Granted	Expiry	Area (km ²)	Year 1 Actual Expenditure	Year 2 Annual Rent
GEL 296	7/03/2008	6/03/2013	497.1	\$21,935	\$2,815
GEL 304	7/03/2008	6/03/2013	496.5		\$2,815
GEL 305	7/03/2008	6/03/2013	472.7		\$2,815
GEL 306	7/03/2008	6/03/2013	428.0		\$2,815
GEL 307	7/03/2008	6/03/2013	480.6		\$2,815
GEL 350	7/03/2008	6/03/2013	500.0		\$2,815

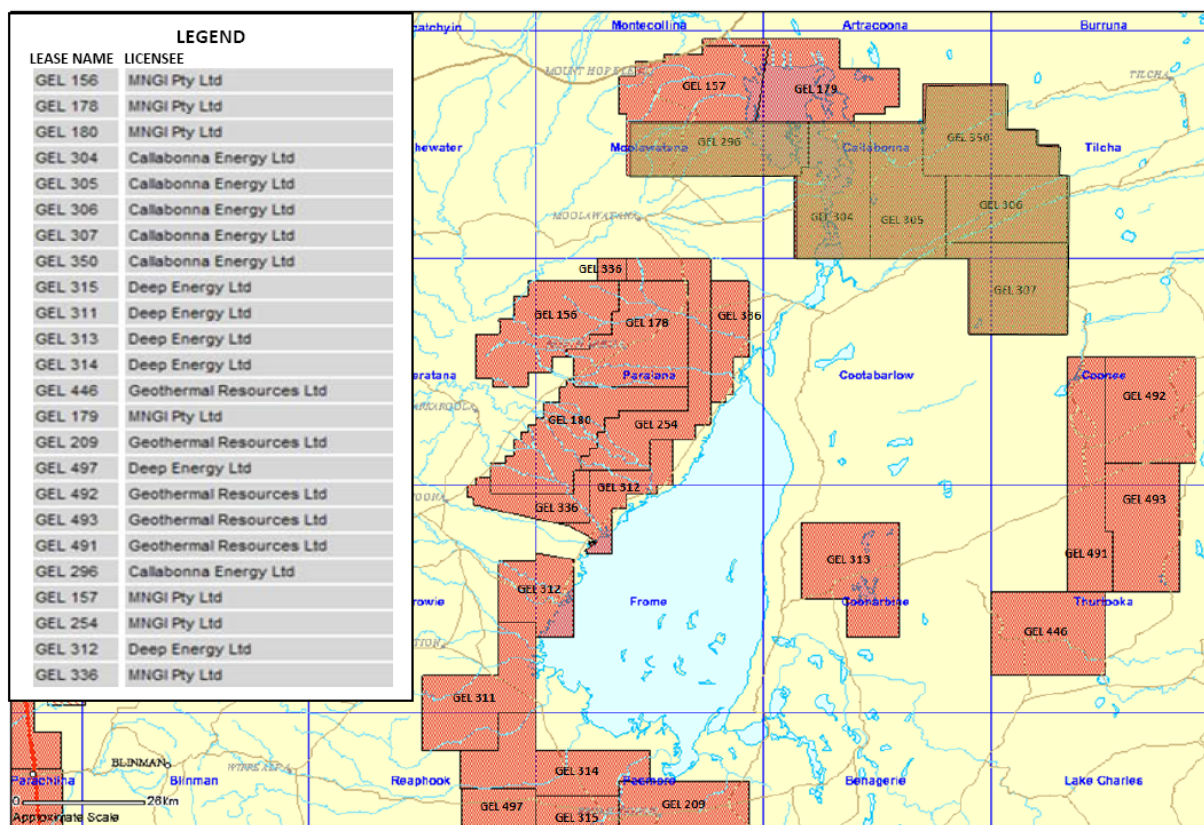
The CEP is located within the South Australian Heat Flow Anomaly (SAHFA), which is a zone of anomalously high surface heat flow at least 600 km long and 250 km wide extending north from Adelaide (Neumann, Sandiford and Foden 2000). Heat flows in the

SAHFA are up to three times higher than the global crustal average and are considered to be caused by high heat producing basement rocks.

The Callabonna area is the focus of considerable activity to assess the potential for geothermal energy, with Callabonna Energy and three other companies holding GEL's in the district i.e. MNGI Pty Ltd (a subsidiary of Petratherm Ltd), Deep Energy Ltd and Geothermal Resources Ltd (Figure 3.2).

Figure 3.2 Geothermal Exploration Licences in the Callabonna Area, S.A.

(Callabonna Energy tenements shown in brown)



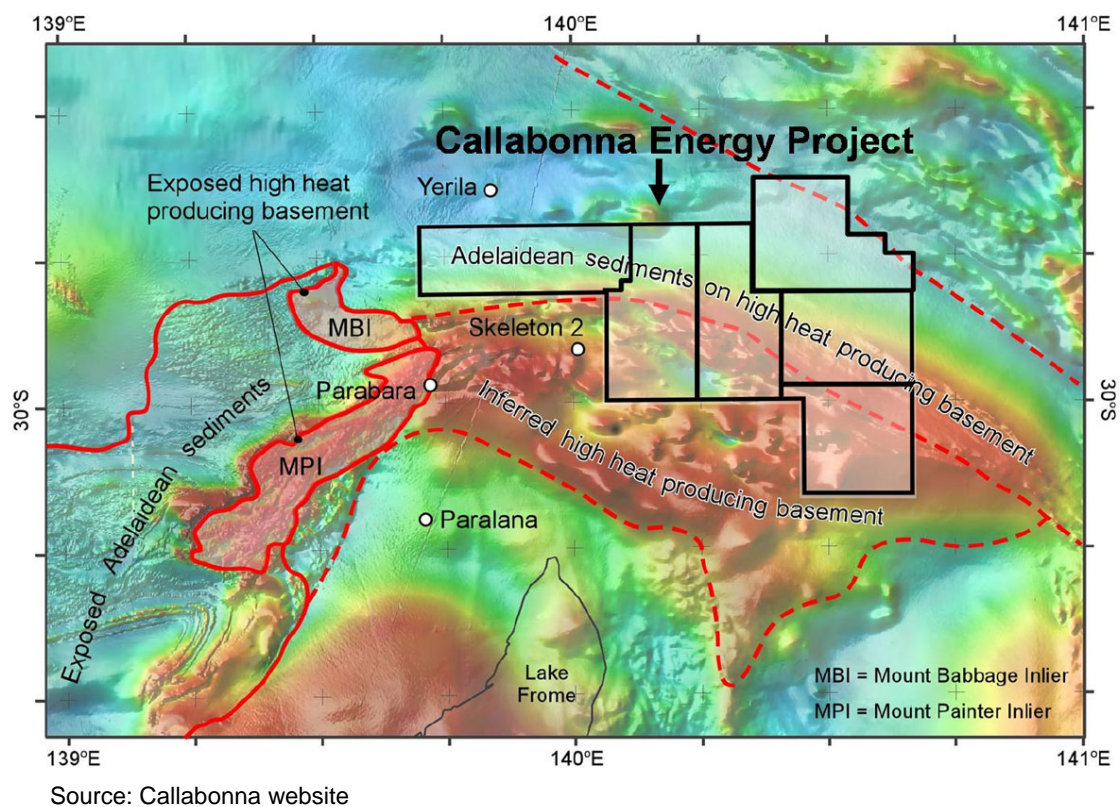
Source: PIRSA

The most advanced project in the area is the Paralana Geothermal Play located 50 km to the south-west of the CEP tenements; a joint venture between Petratherm Ltd, Beach Petroleum and TRUenergy. Petratherm publicly reported an Inferred Geothermal Resource of 230,000 PJ, +/- 40,000 PJ in December 2008 (Petratherm, 2008).

Exploration of the CEP is much less advanced than at Paralana. Callabonna Energy believes the tenements are prospective for geothermal energy because the area sits within the SAHFA and interpretation of regional geophysical data infers high heat producing basement rocks may exist in the tenements (Figure 3.3). The magnetic signature of exposed high-heat-producing basement of the Mount Painter and Mount Babbage inliers is inferred to continue to the east, beneath the CEP. As yet, the presence of hot basement rocks has not been confirmed and there are no heat flow

measurements over the CEP tenements to confirm the prospectivity for geothermal energy.

Figure 3.3 Total Magnetic Intensity Map of the CEP Area



3.1.2 Exploration Program

The planned first year of Callabonna Energy's five year exploration program was to consist of geological and geophysical studies using existing public domain data and reports; drilling of five to ten holes to a depth of 250 – 350m to collect heat flow data; and completion of 1,000 line km of airborne geophysics to assist with geological interpretation.

Callabonna Energy did not comply with this Year 1 work program, only completing the desktop geology and geophysics review. The drilling and geophysics surveys were not undertaken because of lack of funds.

In July 2009 the company submitted a Request for Variation to Work Programme to PIRSA to change the work program (Table 3.2). PIRSA has not yet approved this request.

Table 3.2 Callabonna Energy Project – Revised Five Year Work Program

Year	Work Requirements	Indicative Expenditure
One	<ul style="list-style-type: none"> Geological and geophysical studies; 	\$ 21,935
Two	<ul style="list-style-type: none"> Magnetotelluric Survey (120 Line km minimum); and Drill 5-10 drill holes at depths of 250-350 metres; and Down hole temperature and wireline logging; and 3D modelling 	\$250,000 - \$370,000
Three	<ul style="list-style-type: none"> Seismic Survey (subject to MT results) Drill one test well to a depth of 1500 metres Measure geothermal gradient, conductivity and stress fields; Geological and geophysical studies 	\$300,000 - \$900,000 depending on if seismic is needed
Four	<ul style="list-style-type: none"> Geological and geophysical studies; and Commercial and development studies. 	\$300,000
Five	<ul style="list-style-type: none"> Deepen test well to 3,000m plus and convert to injection well; Commence reservoir stimulation (subject to adequate temperatures); Drill trial production well to 3.000 – 4.000m 	\$2,000,000 - \$4,000,000 estimate only

From Request for Variation to Work Programme, July 2009

3.2 AMC Opinion

It is generally accepted that power generation from geothermal resources requires three critical elements:

- A high temperature rock mass, typically greater than 200°C and preferably less than 5 km depth.
- A permeable 'reservoir' to allow heat to be extracted from the rock mass.
- A water supply which is passed through the reservoir and heated.

Callabonna Energy has not yet demonstrated that any of these elements are present within the CEP tenements. However as a result of independent reviews for Callabonna Energy (Beardsmore, 2007 and Giles, 2009) Callabonna Energy concluded that the tenements are prospective for geothermal energy. AMC believes that prima facie evidence exists for many of the required features of geothermal systems and that Callabonna can have a reasonable expectation of locating elevated geothermal gradients favourable for geothermal energy production within the CEP.

Independent reviews for Callabonna also assessed the risks associated with the CEP; these noted that the highest risk lies in the potential for adequate thermal insulation to generate sufficient temperature at an attractive depth. The second highest risk relates to identifying appropriate reservoir units, whilst there is uncertainty concerning the depth and thermal properties of sedimentary cover within the CEP.

AMC is satisfied that the CEP is prospective for geothermal energy subject to the opportunities and risks associated with the project.

In AMC's opinion, Callabonna Energy's proposed exploration program is both reasonable and appropriate. The emphasis for the next year is to construct a better interpretation of basement geology and depth across the tenements and to undertake heat flow measurements across the tenements. This work addresses the key opportunities and risks identified by Callabonna.

3.3 Valuation

AMC has used the Past Expenditure Method and the Actual or Comparable Transaction Method to value the CEP.

For the Past Expenditure Method, Callabonna Energy has reported Year 1 expenditure on the CEP of \$22,000 to the end of March 2009. Most of this expenditure was for the two geological reviews commissioned by Callabonna Energy and AMC considers this expenditure was effective to assess prospectivity. Callabonna Energy also has geological knowledge gained from previous exploration over the tenements and proposes to deepen some existing drill holes on the tenements to depths of 250 – 350m to facilitate heat flow measurements. AMC considers it appropriate to add approximately \$50,000 to \$75,000 to recognise past expenditure by other companies.

AMC considers that a PEM of 0.75 to 1.25 is appropriate for the CEP given the project is at an early stage. Based on total past expenditure of \$75,000 to \$100,000, a valuation range from \$56,000 to \$125,000 is estimated.

AMC has not been able to identify any Comparable Transactions for Australian properties at a similar level of exploration and prospectivity to the CEP. Two recent transactions for projects at a much more advanced level are summarised below:

- In January 2007, Beach Petroleum entered into a joint venture with Petratherm Ltd at Paralana in South Australia to earn up to 36%. An initial 21% can be earned by spending \$10M. If it is assumed that the \$10M is spent over a three year period, AMC estimates the value of the project at \$8M to \$13M.
- In September 2008, Panax Geothermal Ltd reached agreement to acquire all of the assets of Osiris Energy Limited for \$14.8M, consisting of geothermal exploration tenements in South Australia and NSW covering nearly 2,400 km². The principal asset was the Penola Trough tenement, where the geothermal energy is in a hot sedimentary aquifer environment.

In the USA, Sierra Geothermal Power Corp. has reported that acquisition costs in the US have ranged from US\$1 to US\$14,000 per acre depending on a variety of factors that include location, megawatt size, distance of the resource to the power infrastructure, and the type of geothermal resource (hot water or steam). Translating the lowest cost to the CEP results in a valuation of A\$0.9M.

AMC believes that the Past Expenditure Method is the most appropriate valuation method to apply in this case and considers a value of \$0.1M for the CEP as reasonable.

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5 QUALIFICATIONS

AMC is a firm of mineral industry consultants whose activities include the preparation of due diligence reports and reviews on mining and exploration projects for equity and debt funding and for public reports.

The contributors to the Report were:

- P T Stoker, BSc, Dip Ed, FAusIMM (CP), AMC Principal Geologist with over 40 years experience in mining and exploration geology, who prepared the Report.
- M Thomas, Higher National Diploma in Mining, MAusIMM (CP), AMC Principal Mining Consultant and Director of AMC. Mike's broad experience in the mining industry includes managing operating mines, both in Australia and overseas, in leading feasibility studies and in carrying out technical reviews, audits and valuations.

AMC had not undertaken work for MKY Resources Limited or Callabonna Uranium Limited prior to preparation of this Report.

In all of its assignments, AMC act as an independent party. Neither AMC nor the contributors to this Report have any interests in MKY or Callabonna or in the proposed transaction that is the subject of this Report. AMC has no pecuniary interest, association or employment relationship with MKY or Callabonna. AMC is satisfied that O'Loughlins Lawyers, which prepared an independent report on the standing of the tenements, is an independent and qualified party.

Neither AMC nor the contributors to this Report or members of their immediate families hold shares in MKY or Callabonna. AMC is being paid a fee according to its normal per diem rates and out of pocket expenses in the preparation of this Report. Its fee is not contingent on the outcome of the transaction subject to this Report.

Reliance on Information

In AMC's letter of engagement, MKY agreed to comply with the obligations of the commissioning entity under the Valmin Code, including that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information would be made.

MKY has advised AMC in writing that, to the best of its knowledge and understanding, complete, accurate and true disclosure has been made to AMC of all material information relevant to the projects described in this Report. In preparing this Report, to the extent that it is based on information and reports provided by MKY or Callabonna, AMC has relied on information and reports provided to it by MKY. AMC accepts no liability in respect of such data or information, save that it has exercised reasonable care as set out above, in the use of such data and information. AMC makes no representation and gives no warranty as to the accuracy or completeness of the data, information or reports that it has relied on.

MKY has been provided with a draft of this Report to enable correction of any factual errors and notation of any material omissions. The views, statements, opinions and conclusions expressed by AMC are based on the assumption that all data provided to it by MKY are complete, factual and correct to the best of MKY's knowledge.

Effective Date

The conclusions in this Report are effective as at the date of the Report, however those conclusions could change in the future depending on changes in metal prices and/or results and technical changes at the proposed operations and/or results of exploration and/or status of tenements. AMC disclaims responsibility for any changes that may have occurred after the date of this Report.

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MKY has indemnified AMC in regard to damages, losses and liabilities related to or arising out of AMC's engagement other than those arising from wilful default, negligence or unlawful act on AMC's part.

Signatories

The signatories of this Report are corporate members of The Australasian Institute of Mining and Metallurgy and are bound by its code of ethics.



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APPENDIX A
GLOSSARY

Aeromagnetic	Refers to measurement of magnetic qualities of rocks using a aeroplane-mounted instrument.
Alluvial, alluvium	Usually unconsolidated, transported sediment.
Alluvial gold	Gold transported and deposited by river action, and mined from the river sediments.
Altered, alteration	Referring to physical or chemical change in a rock or mineral subsequent to its formation.
Amphibolite	A rock of medium metamorphic grade rich in the iron and magnesium silicate minerals called amphibole.
Anomaly	Zone or point in the soil or underlying rock determined by exploration methods to be different from its general surroundings.
Anticline, antiformal	A part of a fold system forming an arch i.e. convex upwards.
Archaean	A geological time era, older than 2400 million years.
Arkose	A sandstone dominated by grains of feldspar.
Assay	Test to determine the content of various chemical elements in a sample.
Auger drilling	An exploration drill which recovers samples using a screw-like action.
Auriferous	Gold bearing.
Axial plane	A plane which intersects a fold such that both sides of the fold are more or less symmetrical with reference to the plane.
Axial trace	Projection of the fold axis to the surface.
Basalt	A fine-grained basic volcanic rock.
Base Metal	Non precious metal, usually refers to copper, lead, zinc.
Basement	Generally refers to the older cratonic rocks below the sedimentary basins.
Basic	Used to describe igneous rocks of low silica content (usually 45-55% SiO ₂) whose dominant mineral constituents are iron and magnesium silicates. See also mafic.
Bed	Refers to a layer of sedimentary rock.
Bedding	A surface in sedimentary or volcanic rocks that was a depositional surface when the sediments or volcanics were deposited.
Bedding plane fault	A fault along a surface parallel to the surface of deposition.
Bedrock	General term for the solid rock. underlying superficial weathered rock or soil.
Breccia	A rock composed of angular fragments of rock embedded in a matrix.
Brecciated	Describes rocks which have been broken into angular fragments by sedimentary or igneous action.
Bulk sampling	Large scale sampling of rock or soil aimed at obtaining the most reliable analytical result.
Calcrete	A superficial rock containing a high proportion of calcium and/or magnesium carbonate and formed by weathering of calcareous bedrock.
Cainozoic	The most recent era of geologic time, beginning about 65 million years ago,
Calcareous	Containing calcium carbonate minerals.
Calcrete	A superficial rock containing a high proportion of calcium and/or magnesium carbonate and formed by weathering of calcareous bedrock.
Cambrian	A geological time period from 530 to 460 million years ago.
Carbonaceous	Term given to a rock containing carbon.
Carbonate	Minerals containing calcium and/or magnesium carbonate.

Carnotite	An ore of uranium $K_2(UO_2)_2(VO_4)_2 \cdot 3(H_2O)$ containing 52.77% uranium by weight
Chlorite	A green platy iron-magnesium rich silicate mineral.
Chromite	A chromium oxide mineral.
Cleavage	A preferred plane of breakage in a rock caused by the alignment of micaceous minerals.
Conglomerate	A coarse-grained sedimentary rock containing rounded or sub-rounded rock and mineral fragments.
Core	Cylinder of rock recovered from diamond drilling.
Craton	A large stable mass of rock, usually igneous and/or metamorphic, which forms a major structural unit of the earth's crust.
Cretaceous	A geological period from 100 to 70 million years ago.
Crust	That portion of the earth from surface to a depth of 35 km.
Cyanide leach, cyanidation	A method of extracting gold and silver from an ore by dissolving them in a weak solution of sodium cyanide.
Deep lead	Auriferous alluvials buried by younger rocks.
Development	Mining carried out to gain access to ore.
Diamond drilling	Method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.
Dip	The angle at which layered rocks, foliation, a fault, or other planar structures, are inclined from the horizontal.
Disseminated	Mineralisation distributed throughout a rock.
Electromagnetic	Refers to a geophysical exploration method which measures responses to induced electromagnetic currents in rocks.
Eluvial	Weathered material near to its source
EM geophysical survey	Survey in which electromagnetic pulses are induced into the earth.
Epidote	Calcium aluminium silicate mineral.
EL	Exploration License
Facies	The aspect, appearance and characteristics of a rock unit, usually reflecting the conditions of its origin.
Fault	A fracture in rocks along which rocks on one side have been moved relative to the rocks on the other.
Feasibility study (bankable)	A comprehensive technical and economic study of a project of sufficient accuracy to provide the basis for a decision concerning financing.
Fold belt (Orogenic belt)	A linear or arcuate region that has been subjected to folding and other deformation during an orogenic cycle.
Geochemical	Prospecting techniques which measure the content of certain metals in soils and rocks and define anomalies for further testing.
Geomorphic	Pertaining to the past, present and future land forms.
Geophysical	Prospecting techniques which measure the physical properties (magnetism, conductivity, density etc) of rocks and define anomalies for further testing.
Geosyncline	A thick succession of stratified sediments and volcanics deposited in a basin or trough.
Geothermal gradient	Rate at which the temperature of the earth's crust increases with depth.
Gneiss	Banded rocks formed during high-grade metamorphism.
Grade	Quantity of metal per unit weight of host rock.

Granite	A coarse grained igneous rock consisting largely of quartz and feldspar.
Granodiorite	A coarse grained intermediate igneous rock.
Gravity, gravimetric survey	A geophysical exploration technique which measures contrasts in density of the underlying rocks.
Haematite	An iron oxide mineral.
Hard rock deposits	Used here to describe non-alluvial gold deposits.
Helimag survey	Helicopter-mounted magnetic survey
Hydrogeochemical	Refers to a geochemical exploration technique where ground water is sampled and analysed.
Hydrothermal	A process related to the introduction of heated or superheated waters associated with igneous activity.
Igneous	A rock formed by the solidification of a mineral-rich molten liquid.
Induced polarisation (IP)	Method of ground geophysical surveying which employs the passing of an electrical current into the ground to test for indications of metallic sulphides.
Inlier	A body of older rocks completely surrounded by younger rocks.
Intrusion	A body of igneous rock that invades older rocks.
Ironstone	A broad term for a rock consisting mainly of iron oxides.
JORC, JORC Code	Joint Ore Reserves Committee, common reference to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004.
Lacustrine	Deposited in a lake.
Landsat TM	Mapping based on satellite recorded multi-spectral imagery of the Earth's surface.
Laterite, lateritised	A near surface concretionary deposit or crust formed by leaching of silica and aluminium and enrichment in iron.
Lenses	Geological features bounded by converging surfaces.
Lithology	General descriptive term referring to the composition and texture of rocks present in any area.
Lode	Tabular body of mineralisation or ore.
Magnetic survey	A geophysical technique which measures variations in the earth's magnetic field.
Magnetite	An iron oxide mineral.
Massive	Homogenous structure with no bedding, lamination or orientation of mineral grains.
Massive sulphide	Body of mineralisation comprised mainly of sulphide minerals.
Mesoproterozoic	Geological era between 1,000 million years ago and 1,600 million years ago.
Metamorphism, Metamorphic	Term applied to pre-existing sedimentary and igneous rocks which have been altered in composition, texture, or internal structure by processes involving pressure, heat and/or the introduction of new chemical substances.
Metasedimentary	General term used to describe sedimentary rocks which have been metamorphosed.

Mineral Resource	Defined in the 2004 JORC Code as a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Mineralisation	The process by which minerals are introduced into a rock. More generally a term applied to accumulations of economic or related minerals in quantities ranging from anomalous to economically recoverable.
Mineralised zone	A volume of rock which contains anomalous to economically recoverable quantities of mineral.
Neoproterozoic	Geologic period from around 1000 million years before the present to 544 million years before the present. Final part of Pre-Cambrian time.
Nugget	Refers to a particle of gold or other precious metal, usually a few millimetres in size or larger.
Open cut	Mine excavation produced by quarrying or other surface earthmoving equipment.
Open pit	Mine excavation produced by removing all material overlying and including the extracted ore. No underground caverns are created.
Ordovician	A geological time period from 460 to 435 million years ago.
Ore	Mineral bearing rock which can be mined and treated profitably under current or immediately foreseeable economic conditions.
Orebody	A physically discrete body of rock comprising ore.
Ounce	Troy ounce of 31.1 grams.
Outcrop	Expression of rock unit at surface.
Oxidation	The process by which minerals are altered by the addition of oxygen in the crystal structures.
Oxide mineralisation	Derived from alteration of primary sulphide minerals by oxidation in the weathered zone.
Oxide ore	Ore that has been oxidised by exposure to air and circulating groundwaters. During this process, sulphide minerals break down to iron and other metal oxide minerals.
Paleoproterozoic	Geological era between 1,600 million years ago and 2,500 million years ago.
Palaeozoic	A geological era from 570 to 225 million years ago.
Palaeo-divide	Ancient drainage divide.
Paleodrainage, palaeochannel palaeo-channel	Fossil drainage system related to pre-existing topography.
Palaeo-valley	Ancient river valley.
Percussion drilling	Drilling method which utilises a hammering action under rotation to penetrate rock while the cuttings are forced to the surface by compressed air.
Period	Reporting time division for a mining operation; usually 4 weeks.
Potassic	Of, pertaining to, or containing potassium.
Precious metals	Generally refers to gold and silver.
Pre-Cambrian	A geological time period incorporating the Archaean (older than 2,400 million years) and Proterozoic (2,400 million years to 570 million years).

Pre-feasibility study	A relatively comprehensive analysis which is qualified by the availability and accuracy of fundamental criteria and assumptions to the degree that it cannot be the basis for final decisions.
Primary	In this context the original mineralisation before it has been subject to secondary processes.
Proterozoic	A geological era from 2,400 million years to 570 million years.
Pyrite	An iron sulphide mineral.
Quartz	Mineral species composed of crystalline silica (SiO ₂).
Quartzite	A metasedimentary rock derived from sandstone.
Radiometric	Measurement of radioactivity useful in mapping rock formation.
Recent	Youngest time division of the Quaternary.
Recovery	The percentage of metal in an ore extracted by the metallurgical process.
Redox	Abbreviation for reduction-oxidation, generally used to describe the boundaries between oxidised and reduced portions of rock units where the chemical change is likely to precipitate minerals.
Reef	A lode or vein.
Refractory	Ore from which it is difficult or expensive to recover the valuable constituent related minerals in quantities ranging from anomalous to economically recoverable.
Regolith	The altered, unconsolidated or recemented cover that overlies coherent bed rock.
Resource	See "Mineral Resource"
Reverse circulation (RC) drilling	Variant of percussion drilling in which cuttings are raised to surface by a stream of compressed air inside a metal tube.
Rock chip sampling	Refers to collecting a representative sample comprising numerous small chips of rock.
Rotary air blast (RAB) drilling	A shallow rotary drilling method used to penetrate soil and the upper weathered part of the bedrock.
Sandstone	A medium grained sedimentary rock with a high content of quartz.
Schist	Fine grained micaceous metamorphic rock with laminated fabric.
Sedimentary	Rocks formed of particles deposited from suspension in water, wind or ice.
Sericite	A member of the mica mineral group; an aluminium silicate often derived from alteration.
Shaft	A nearly vertical passage from the surface by which a mine is entered and through which ore is transported.
Shale	A sedimentary rock of silt to clay grain size with well marked bedding plane fissility.
Shear	Zone in which rocks have been deformed by lateral movement along parallel planes.
Shoot	A general term describing lens-like bodies of mineralisation defined by grade/thickness parameters.
Silicified	Referring to rocks in which a significant proportion of the original constituent minerals have been replaced by silica.
Siltstone	A fine-grained sedimentary rock.
Soil anomaly	A zone or point determined by geochemical sampling and assaying of the soil to be different from the general surrounds.

Solution mining	The extraction of metals by dissolving them in solution pumped into and recovered from the host rock through bore holes.
Stockwork	A set of veins in a number of different orientations.
Stratiform	Parallel to sedimentary bedding.
Stratigraphy	Refers to the classification of a series of layered rock or strata.
Stream-sediment survey	Systematic sampling of sediments within drainage channels.
Strike	The direction of bearing of a bed or layer of rock in the horizontal plane.
Structural	In this report refers to processes of fracturing and folding of rocks.
Structural feature	Used in this report to refer to a significant fracture, fault or shear in which mineralisation may be concentrated.
Structural targets	Zones of deformation interpreted to be favourable to the localisation of mineralisation.
Sulphides	Minerals consisting of a chemical combination of sulphur with metals.
Syncline	A fold in rock strata which is concave upwards.
Tailings	Material rejected from a treatment plant after the recoverable valuable minerals have been extracted.
Tectonics	Forces in the Earth's crust which result in movements of sections of the crust and produce deformation of rock bodies.
Tertiary	A geological time period from 70 to two million years ago.
Thrust	A low angle fault.
Unconformity	A contact between rock units that represents a time break in rock deposition or formation.
Underground methods	Methods used for underground mining as opposed to open pit or solution mining methods.
Vein	A tabular form mineral filling of a rock fracture.
Volcanic	Rocks formed from the solidification of lava extruded on or erupted at the Earth's surface. Also includes pyroclastic rocks.
Volcanoclastic	Descriptive of a clastic sediment containing material of volcanic origin.
Volcanogenic	Refers to rocks of volcanic derivation.
Wavelength	In this report, refers to the distance between the crests of adjacent anticlines.
Weathering	Near-surface alteration of minerals and rocks by exposure to the atmosphere and groundwater.
Workings	Refers to pits, shafts and adits mark by prospectors in search of minerals.