

# BONDI MINING LIMITED

ACN 120 723 426

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## NOTICE OF GENERAL MEETING EXPLANATORY STATEMENT PROXY FORM

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**Date of Meeting**

5 December 2011

**Time of Meeting**

11.00 am (Adelaide time)

**Place of Meeting**

Level 2  
99 Frome Street  
Adelaide SA 5000

## Important Notices

This Notice of General Meeting and Explanatory Statement is dated 4 November 2011.

A copy of this Notice of General Meeting and Explanatory Statement has been lodged with ASIC and ASX. Neither ASIC nor ASX or any of their officers takes any responsibility for the contents of this Notice of General Meeting and Explanatory Statement.

## The Explanatory Statement Contains Important Information

The Notice of General Meeting, the Explanatory Statement and the accompanying Proxy Form should be read in their entirety before you decide whether or not to vote in favour of the Resolutions in the Notice of General Meeting.

## Investment Decisions

The Explanatory Statement does not take into account the individual investment objectives, financial situation and particular needs of individual Shareholders. If you are in doubt as to what to do, you should consult your legal, financial or other professional advisers prior to voting.

## Key Dates

Set out below is a key dates timetable relating to the Proposed Transaction. The key dates and events for implementation of the Proposed Transaction are subject to a number of factors, some of which are outside the Company's control. Accordingly, some of the dates below are indicative only and may be changed without notice.

Event	Indicative Dates
Opening date of Offer under Prospectus	1 November 2011
Dispatch Notice of Meeting	4 November 2011
Last day for trading in pre-reorganised securities (pre-Consolidation)	2 December 2011
Trading suspended	5 December 2011
General Meeting	5 December 2011
Closing date of Offer under Prospectus	5 December 2011
Last day for Company to register transfers on a pre-reorganisation basis	15 December 2011
First day for Company to send notice to each Shareholder of change in holdings as a result of reorganisation and to register Shares on a post-reorganisation basis	16 December 2011
Last day for Company to send notice to each Shareholder of change in holdings as a result of reorganisation and to register Shares on a post-reorganisation basis	22 December 2011
Allotment of Prospectus and Consideration Shares	30 December 2011

Dispatch holding statements	6 January 2012
Anticipated date for lifting of trading suspension and trading in Company's securities to commence	12 January 2012

All references to time in this Notice of General Meeting and Explanatory Statement are references to Adelaide time.

## Independent Expert's Report

The Independent Expert's Report prepared by InterFinancial Corporate Finance Limited (**Independent Expert**) has concluded that, in its opinion, the Proposed Transaction is fair and reasonable to Shareholders of the Company whose votes are not to be disregarded.

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

## Responsibility for Information

The information concerning the Company contained in this Explanatory Statement, including financial information and information as to the views and recommendations of its Directors, has been provided by the Company and its advisers and is the responsibility of the Company. Neither WTR nor its advisers assume any responsibility for the accuracy or completeness of that information.

The information concerning WTR in the Explanatory Statement, including financial information and information as to the intentions of WTR, has been provided by WTR and its advisers and is the responsibility of WTR. Neither the Company nor its advisers assume any responsibility for the accuracy or completeness of that information.

The Independent Expert has prepared the Independent Expert's Report in relation to the Proposed Transaction (contained in Annexure B of the Explanatory Statement) and takes responsibility for that report and the references to it throughout the Explanatory Statement. The Independent Expert is not responsible for any other information contained in the Explanatory Statement.

## Forward Looking Statements

To the extent that certain statements in the Explanatory Statement relate to the future, such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements. These statements reflect views only as of the date of the Explanatory Statement. Neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in the Explanatory Statement will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

## Definitions and Glossary

Capitalised terms used in the Notice of General Meeting and Explanatory Statement are defined in the

Glossary of defined terms in Section 11 of the Explanatory Statement.

#### **Shareholder Queries**

If you have any queries regarding the Proposed Transaction, please contact the Company's Company Secretary, Ms Kerry Angel, on (07) 3844 0982.

## NOTICE OF GENERAL MEETING

### BONDI MINING LIMITED ACN 120 723 426

Notice is hereby given that a General Meeting of shareholders of Bondi Mining Limited will be held at Level 2, 99 Frome Street, Adelaide, South Australia at 11.00 am (Adelaide time) on 5 December 2011.

#### AGENDA

##### **Resolution 1: Change in Nature and Scale of Activities**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*'Subject to resolutions 2, 3, 4, 5, 6, 7, 8, 9 and 10 being passed, the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to change the nature and scale of its activities to include mineral sands mining in Madagascar by undertaking the acquisition of the WTR Shares on the terms and conditions applicable to the Acquisition, as detailed in the Explanatory Statement accompanying this Notice of Meeting.'*

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

##### **Resolution 2: Issue of Options to WTR Optionholders**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*'Subject to resolutions 1, 3, 4, 5, 6, 7, 8, 9 and 10 being passed, the satisfaction or waiver of the conditions precedent to the Acquisition, the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act and the Company obtaining the approval of ASX for reinstatement of its securities to quotation, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the grant, allotment and issue by the Company of 4,025,000 Options (on a post-Consolidation basis) to WTR Optionholders as consideration for the acquisition by the Company or cancellation of their WTR Options, as detailed in the Explanatory Statement accompanying this Notice of Meeting.'*

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

##### **Resolution 3: Issue of Options to Proposed Directors of the Company**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*'Subject to resolutions 1, 2, 4, 5, 6, 7, 8, 9 and 10 being passed, the satisfaction or waiver of the conditions precedent to the Acquisition, the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act and the Company obtaining the approval of ASX for reinstatement of its securities to quotation, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the grant, allotment and issue by the Company of a total of 12,250,000 Options (on a post-Consolidation basis) to proposed Directors of the Company as consideration for the acquisition by the Company or cancellation of their WTR Options, as detailed in the Explanatory Statement accompanying this Notice of Meeting.'*

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

#### **Resolution 4: Issue of Warrants to GMP Securities Europe LLP**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*'Subject to resolutions 1, 2, 3, 5, 6, 7, 8, 9 and 10 being passed, the satisfaction or waiver of the conditions precedent to the Acquisition, the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act and the Company obtaining the approval of ASX for reinstatement of its securities to quotation, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the grant, allotment and issue by the Company of 1,492,050 Warrants (on a post-Consolidation basis) to GMP Securities Europe LLP as consideration for the acquisition by the Company or cancellation of its WTR Warrants, as detailed in the Explanatory Statement accompanying this Notice of Meeting.'*

**Voting Exclusion:** The Company will disregard any votes on this Resolution by GMP Securities Europe LLP, any person who may participate in the proposed issue, 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, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or 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.

#### **Resolution 5: Issue of Shares under Prospectus**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*'Subject to resolutions 1, 2, 3, 4, 6, 7, 8, 9 and 10 being passed, the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the allotment and issue by the Company of up to 11,111,112 Shares (on a post-Consolidation basis) at an issue price of \$0.27 each to raise up to a total of \$3,000,000 to applicants under the offer set out in the Prospectus, as detailed in the Explanatory Statement accompanying this Notice of Meeting.'*

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

#### **Resolution 6: Issue of Shares to Darren Morcombe under Prospectus**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*'Subject to resolutions 1, 2, 3, 4, 5, 7, 8, 9 and 10 being passed, the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the allotment and issue by the Company of 370,371 Shares (on a post-Consolidation basis) to Darren Morcombe under the offer set out in the Prospectus, as detailed in the Explanatory Statement accompanying this Notice of Meeting.'*

**Voting Exclusion:** The Company will disregard any votes on this Resolution by Mr Darren Morcombe and any associates of Mr Morcombe. 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.

## **Resolution 7: Consolidation of Shares and Options**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*'Subject to resolutions 1, 2, 3, 4, 5, 6, 8, 9 and 10 being passed, the satisfaction or waiver of the conditions precedent to the Acquisition, the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act and subject to and with effect from the date of, and immediately prior to, completion of the Acquisition, for the purpose of section 254H of the Corporations Act, rule 113.1 of the constitution of the Company and for all other purposes, approval is given for the issued capital of the Company to be consolidated on the basis that:*

- (a) every four Shares be consolidated into one Share; and*
- (b) every four Options be consolidated into one Option with the exercise price amended in inverse proportion to that ratio,*

*and where this consolidation ratio would otherwise result in a fractional entitlement to a Share or Option (as the case may be), that fractional entitlement be rounded up to the nearest whole Share or Option (as the case may be), as detailed in the Explanatory Statement accompanying this Notice of Meeting.'*

## **Resolution 8: Change of Name**

To consider and, if thought fit, pass the following resolution as a **special resolution**:

*'Subject to resolutions 1, 2, 3, 4, 5, 6, 7, 9 and 10 being passed, the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act, for the purpose of section 157(1) of the Corporations Act and for all other purposes, approval is given for the name the Company to be changed from Bondi Mining Limited to World Titanium Resources Limited, as detailed in the Explanatory Statement accompanying this Notice of Meeting.'*

## **Resolution 9: Disposal of Murphy Uranium Pty Ltd Shareholding and Mount Owen Resources Pty Ltd Shareholding**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*'Subject to resolutions 1, 2, 3, 4, 5, 6, 7, 8 and 10 being passed, the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the sale by the Company of all of its shareholding in Murphy Uranium Pty Ltd and all of its shareholding in Mount Owen Resources Pty Ltd to Lyell Resources Limited as detailed in the Explanatory Statement accompanying this Notice of Meeting.'*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any 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.

## **Resolution 10: In Specie Distribution of Lyell Resources Limited Shares**

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*'Subject to resolutions 1, 2, 3, 4, 5, 6, 7, 8 and 9 being passed, the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act, for the purposes of sections 256B and 256C of the Corporations Act and for all other purposes, approval is given for the net assets of the Company to be reduced by the Company making a pro rata in specie distribution of 12,041,281 Lyell Resources Limited shares to the Shareholders registered on the Record Date, in proportion to their registered shareholding in the Company on that date, as detailed in the Explanatory Statement accompanying this Notice of Meeting.'*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any

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

DATED 4 November 2011  
By Order of the Board



Kerry Angel  
Company Secretary

#### **NOTES:**

##### **1. Proxies**

A shareholder entitled to attend the Meeting and vote is entitled to appoint a proxy to attend and vote for the shareholder at the Meeting. A proxy need not be a shareholder. If the shareholder is entitled to cast two or more votes at the Meeting, the shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A Proxy Form accompanies this Notice.

To be effective, Proxy Forms must be received at least 48 hours before the time for holding the Meeting (that is, not later than 11.00 am on 3 December 2011) or of any adjourned meeting, at the Company's Share Registry, being:

##### **Computershare Investor Services Pty Limited**

By mail	GPO Box 242 Melbourne Victoria 3001 Australia
By facsimile	(within Australia) 1800 783 447 (outside Australia) +61 3 9473 2555
Online:	by visiting <a href="http://www.investorvote.com.au">www.investorvote.com.au</a> and by entering your Control Number, SRN/HIN and postcode, which are shown on the first page of the enclosed Proxy Form
Custodian voting:	For Intermediary Online subscribers only: <a href="http://www.intermediaryonline.com">www.intermediaryonline.com</a>

##### **2. Voting Entitlement**

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Company (as convenor of the Meeting) has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the register of shareholders as at 7.00 pm (Adelaide time) on 3 December 2011. This means that any shareholder registered at 7.00 pm (Adelaide time) on 3 December 2011 is entitled to attend and vote at the Meeting.

##### **3. Corporate Representative**

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and / or Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

## EXPLANATORY STATEMENT

This Explanatory Statement forms part of a Notice convening a General Meeting of Shareholders of Bondi Mining Limited to be held on 5 December 2011. This Explanatory Statement is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

### 1. RESOLUTION 1: CHANGE IN NATURE AND SCALE OF ACTIVITIES

#### (a) General comments

Resolution 1 seeks Shareholder approval to change the nature or scale of the activities of the Company to include mineral sands exploration and mining in Madagascar by undertaking the acquisition of all the issued shares in the capital of WTR (**Proposed Transaction**) on the terms and conditions set out in the Implementation Deed and as summarised in this Explanatory Statement.

#### (b) Background and explanation

The Company is an ASX listed copper and uranium exploration company. The Company was admitted to ASX on 28 December 2006.

On 29 August 2011 the Company announced that it had executed the Implementation Deed with WTR.

WTR is an unlisted Australian public company which was incorporated on 8 March 1994 and has 86 shareholders. Its current issued share capital comprises 73,469,870 fully paid ordinary shares. Boule Titanium is WTR's largest shareholder with 21,801,555 fully paid ordinary shares, comprising 29.67% of WTR's shares.

WTR holds permits for the Toliara Sands Project in Madagascar through its Malagasy subsidiaries Toliara Sands SARL and Madagascar Resources SARL. The Toliara Sands Project is based on two exploration areas known as Ranobe and Manombo-Morobe located north of the port of Toliara in south-west Madagascar. Details of the Toliara Sands Project are contained in Section 1(d) of this Explanatory Statement.

Under the Implementation Deed, WTR will propose a scheme of arrangement pursuant to Part 5.1 of the Corporations Act with its eligible shareholders under which WTR's Shares will be transferred to the Company in consideration for which the Company will issue 3.5 Shares for each WTR Share held by an eligible WTR shareholder (**Scheme**). A summary of the Implementation Deed is contained in Section 1(i) of this Explanatory Statement.

As the proposed Acquisition will result in a significant change in the nature and scale of activities of the Company, ASX has indicated that the Company is required to:

- (i) obtain shareholder approval for the change in the nature and scale of the Company's activities; and
- (ii) in accordance with ASX Listing Rule 11.1.3, reapply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules as if the Company were applying for admission to the official list of ASX.

Among other things, completion of the Acquisition will depend on each of the Resolutions set out in the Notice of Meeting and described in this Explanatory Statement being passed at the General Meeting.



(c) **Acquisition highlights**

The main highlights of the proposed Acquisition are as follows:

- Large, high-grade JORC resource (707Mt at 6.54% THM), relatively rich in high-value zircon, in Madagascar
- Scoping study completed by TZMI indicates a world class asset by industry standards:
  - Value per tonne of ore well above industry average
  - Heavy mineral grade well above industry average
  - Capital intensity (ratio of capital expenditure to annual revenue) well below industry average
  - Revenue to cost ratio in second quartile of overall industry
  - Cash cost per tonne product well below industry average
- Easily mined resource with little/no overburden and low slimes
- Overall portfolio defined an exploration target<sup>1</sup> of 4.3 to 4.7 billion tonnes at 2.5% to 4.1% THM
- Highly skilled exploration and development teams
- Complemented by the Company's Namibian exploration assets
- Support of WTR Board and WTR's major shareholders

(d) **Toliara Sands Project**

The Toliara Sands Project is the most advanced of WTR's exploration assets and comprises:

- the Ranobe mineral sands project, which is held under an exploration permit with a pending exploitation permit and has been the subject of significant exploration and evaluation expenditure, including the preparation of a preliminary feasibility study and components of a bankable feasibility study under a joint venture arrangement between WTR and Exxaro Mineral Sands BV, which has now been terminated, and the establishment of a JORC compliant resource;
- mineralisation defined by drilling at Ankililoaka and Basibasy; and
- a large dune system near Morombe which has been the subject of an aeromagnetic survey and hand auger drilling.

(i) **The Ranobe Resource**

The mineralised zone at Ranobe is approximately 20 km in length, 1 to 1.5 km in width and comprised of three mineralised sand units, shown diagrammatically below.

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<sup>1</sup> These Exploration Targets are at an early stage of evaluation, and the potential quantity and grade remain conceptual in nature. At this stage there has been insufficient exploration to define Mineral Resources and it is uncertain if further exploration will result in the determination of Mineral Resources greater than that already defined.

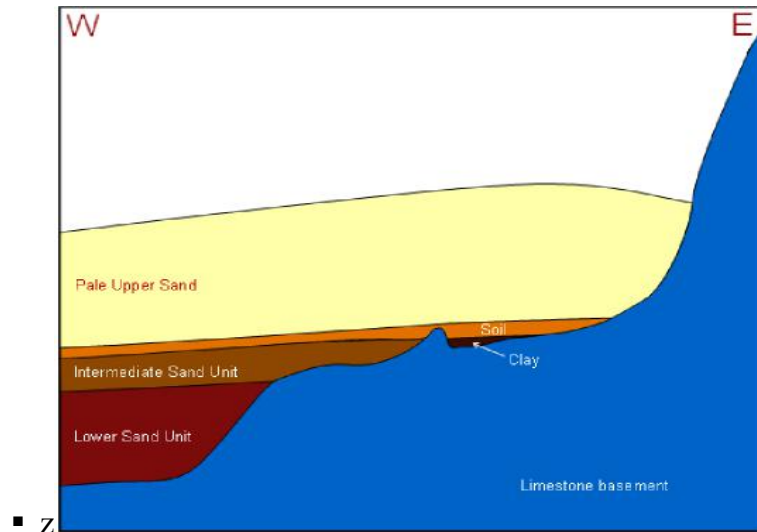


Figure 2: Generalised cross-section through Ranobe North (not to scale)

A JORC compliant Resource of heavy minerals (HM) has been calculated for the Upper Sand unit, as follows<sup>2</sup>:

Category	Million Tonnes	Average % Total Heavy Minerals (THM)	% Slimes
Measured	222	7.66	4.42
Indicated	393	6.07	4.66
Inferred	92	5.91	5.36
	707	6.54	4.70

The average composition of the HM assemblage in the Ranobe resource is ilmenite (64.7%), rutile (1.9%), zircon (5.5%) and leucoxene (5.1%).

Global potential of the resource in the Ranobe area may be significantly more than this, as wide spaced drilling indicates that mineralisation in the Upper Sand Unit extends to the north (possibly by 1km), west (beyond intersections in the most westerly holes) and south (by possibly 5km), as well as within the Intermediate Clay Sand Unit and the Lower Sand Unit.

A mining lease application has been submitted over an area which contains the following higher grade Resource within the Upper Sand Unit<sup>3</sup>:

Category	Million Tonnes	% THM	% Slimes
Measured	134.8	8.25	4.11
Indicated	22.90	8.67	4.83
	157.7	8.31	4.22

<sup>2</sup> Please refer to Section 1(d)(vii) of this Explanatory Statement for the Competent Persons Statement.

<sup>3</sup> Please refer to Section 1(d)(vii) of this Explanatory Statement for the Competent Persons Statement.

(ii) **Ranobe Development Concept**

A scoping study has been prepared by TZ Minerals International (TZMI) for the development of the Ranobe resource outlined above, using a mining rate of 900 tph, or 7.5 million tonnes per year.

The heavy mineral suite consists predominantly of ilmenite which comprises approximately 65% of the concentrate. The project also benefits from the presence of much higher value zircon and rutile which together contribute about 8% of the heavy mineral, but around 33% of the value.

Important features of the deposit that deliver advantages compared to many existing operations are the low slimes content in the ore (less than 5%) and the absence of barren overburden.

The global mineral sands industry mines an average ore grade of 5.6% heavy mineral with an overburden strip ratio of 0.4 and a contained value of US\$12 per tonne of ore. By contrast, contained value of the first phase of the Ranobe deposit has the potential to exceed this due to its grade, and there is no overburden to remove. This is the key to unlocking the project value.

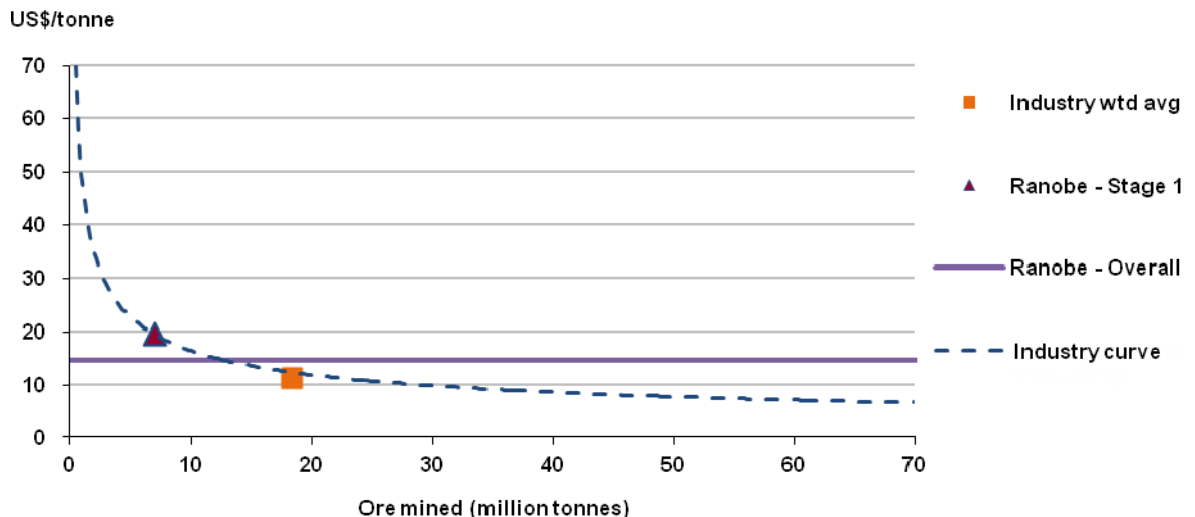


Figure 3: Ore contained value Ranobe compared with mineral sands industry average

The Ranobe deposit can be economically mined using a simple front-end loader directly feeding a slurry transport unit. This method is employed in many operations world-wide, and is considered by WTR to represent a low technical risk option.

The primary concentrator design will be based on easily relocatable plants which are widely employed in many Australian ilmenite mines.

Test work conducted to date shows that the ilmenite consists predominantly of a product suitable for use in the TiO<sub>2</sub> sulfate pigment process or in ilmenite smelters for the production of chloride grade slag. A smaller volume of higher value ilmenite suitable for direct chlorination or as a blend feed to synthetic rutile processors is also present in the mineral suite. These products can be separated with conventional mineral sands processing technology at a low unit cost.

Capital and operating cost estimates have been prepared by TZMI and are considered to be in line with similar minerals sands processing operations.

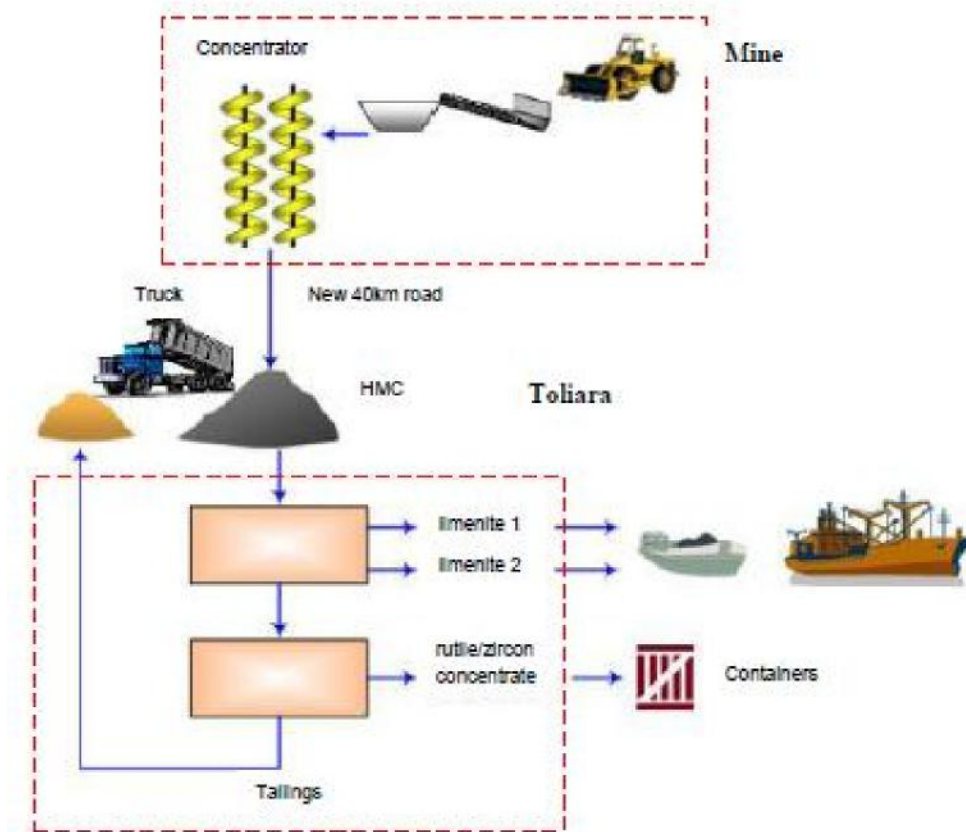


Figure 4: Simplified Ranobe flowsheet

WTR is considering offtake proposals from pigment producers interested in a long-term supply of high quality ilmenite. To date it has spoken with Chinese groups who have expressed interest in offtake arrangements.

(iii) **Manombo - Morombe (M-M) Area**

The M-M tenements include three areas with known, but less well defined, heavy mineral accumulations. These are Ankililoaka, Basibasy, and Morombe. Based on work to date, which has located heavy minerals at all three sites, there is potential that further more detailed work will define economically significant resources at Ankililoaka, Basibasy and Morombe.

(iv) **Ankililoaka**

At Ankililoaka, 25km north of Ranobe, scout drilling has encountered heavy minerals in young quartz sands and clayey sands, near a northwest-trending ridge of limestone. Mineralisation occurs over a north-south distance of 5.75km, with grades typically around 5.5% THM.

The estimated potential quantity of mineralised sand ( $\geq 3\%$  THM) at Ankililoaka is 360 - 368 Mt containing 5 - 6% THM and 8.5 - 9.5% slimes<sup>4</sup>.

<sup>4</sup> This Exploration Target is at an early stage of evaluation, and the potential quantity and grade remains conceptual in nature. At this stage there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource greater than that already defined.

The heavy mineral suite is dominated by ilmenite (52%), leucoxene (5%), rutile (1%) and zircon (4%). The TiO<sub>2</sub> content of the ilmenite ranges from 47.6 to 56.8% TiO<sub>2</sub>. The HM suite therefore appears to be similar to that at Ranobe.

(v) **Basibasy**

At Basibasy, 60km north of Ranobe, reconnaissance drilling has located significant mineralisation in quartz sands lying west of an old shoreline that runs roughly north-south. An area of about 2km by 3km includes 15 drill-holes, each of which encountered 30 metres or more of sand with an overall average grade of 5% THM.

The estimated potential quantity of mineralised sand here is 440 - 446Mt containing about 4.5 - 5.5% THM and 8 - 9% slimes<sup>5</sup>.

The HM suite is dominated by ilmenite (50%), leucoxene (16%), rutile (1%) and zircon (7%). The TiO<sub>2</sub> content of the ilmenite ranges from 50.2 to 59.6% TiO<sub>2</sub>. This HM suite therefore appears to be different to that at Ranobe.

(vi) **Morombe**

The most northerly part of the M-M area, Morombe, is occupied by a large semi-circular dune field with potential to host several billion tonnes of sand. Preliminary hand auger drilling has confirmed the general presence of low levels 1-3% THM throughout the area. This Exploration Target is at an early stage of evaluation, and the potential quantity and grade remains conceptual in nature. At this stage there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource greater than that already defined.

(vii) **Competent Person's Statement**

Mr Milne (B. Sc. (Hons) M. Sc.) is an employee of GEOCraft and a member of the Geological Society of Australia and the Australasia Institute of Mining and Metallurgy. He has the appropriate relevant qualifications, experience, competence and independence to be considered an 'Expert' under the definitions provided in the Valmin Code and a 'Competent Person' as defined in the JORC Code.

Mr Milne has consented to the inclusion in Section 1(d) of this Explanatory Statement of the matters based on his information and in the form and context in which they appear.

(e) **Other WTR assets**

In addition to its Malagasy mineral sands assets, the other assets of WTR include:

- (i) 10,000,000 shares in Malagasy Minerals Ltd, an exploration company listed on the ASX under the ticker MGY;
- (ii) a receivable amount of \$795,675 from Malagasy Minerals Ltd as deferred payment of the purchase consideration for Mada-Aust SARL, previously a wholly owned subsidiary of WTR. This receivable is to be repaid from 70% of the quarterly cash receipts in Mada-Aust SARL from royalty agreements for the quarrying of labradorite from its tenements; and
- (iii) cash at bank of approximately \$7 million at 30 June 2011.

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<sup>5</sup> This Exploration Target is at an early stage of evaluation, and the potential quantity and grade remains conceptual in nature. At this stage there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource greater than that already defined.

(f) **Overview of mineral sands market**

The mineral sands industry consists of two core product streams: titanium minerals (also referred to as titanium feedstocks or TiO<sub>2</sub> feedstocks) and zircon. Titanium minerals (ilmenite, leucoxene and rutile) are generally far more prevalent in mineral sand ore bodies than zircon.

In 2009, the global titanium minerals market was estimated at approximately 5.4 million tonnes of TiO<sub>2</sub> units. Pigment is by far the largest consumer of titanium minerals with an estimated total world pigment production of approximately 4.4 million tonnes of TiO<sub>2</sub> units. (Source: TZMI). Global zircon consumption in 2009 was an estimated 1.0 million tonnes of zircon product. Over 50% of zircon is used in the production of ceramics, including tiles, sanitary ware and tableware. Zircon is also used in refractories and foundry applications, such as for the casting of jet turbine blades.

Historically, demand for titanium minerals and zircon has displayed generally steady, GDP-related, growth characteristics. Increasing demand for mineral sand products from developing countries has become increasingly evident over recent years. Titanium minerals and zircon constitute a relatively secure input source to a range of industrial and end-consumer applications, with relatively low threats from substitutes.

(g) **Malagasy Mining Laws**

(i) **Overview**

In Madagascar, Mineral and Petroleum tenements are administered by the Bureau du Cadastre Minier de Madagascar (**BCMM**) under the terms of the Mining Code. Permits are either for Research (**PR**) or Exploitation (mining) (**PE**), the general conditions of which are set out below.

**Research Permit**

**Rights:** Pursuant to the provisions of Article 33 of the Mining Code, a PR gives to its holder:

- exclusive right to carry out exploration activities for the authorised substances within the perimeters and during the period of validity of the permit for all substances mentioned in the permit; and
- priority right for filing an application for an exploitation permit on the perimeters subject to the research permit title for the same substances.

**Term:** A PR is granted for a defined period, renewable twice for a three-year period at each renewal. On demand of the holder, the permit is automatically renewed, provided all legal conditions related to its validity are fulfilled. The renewal application is submitted to the BCMM after due payment of the corresponding renewal fees and on production of the receipt attesting to the payment of mining administration fees due for the previous year.

**Transfer:** A PR is freely transferrable to any Malagasy entity or citizen.

**Exploitation Permit**

**Rights:** Pursuant to Article 37 of the Mining Code, a PE gives to its holder:

- exclusive right to exploit authorised mineral substances;
- to continue exploration and research of such minerals within the perimeters during the period of validity of the permit; and
- the right to build any permanent or temporary structures and to use woods and waters existing and available within the perimeters subject to prior authorisation by the landowner.

**Term:** A PE has a duration of 40 years, and can be renewed once or several times for a term of 20 years for each renewal.

**Conditions:** A PE is granted by the Ministry of Mines to the holder of the PR for any area within the PR. A PE application must contain an environmental impact assessment pursuant to the environmental protection regulation. The environmental impact assessment is transmitted to the Mines Environment Service of the BCMM for instruction and, as the case may be, approved by the competent authority.

**Transfer:** A PE is freely transferrable under the same terms as the PR transfer.

(ii) **World Titanium Resources Permit Summary**

The Group's mineral sands tenements are shown in Figure 4 in the Independent Expert's Report, which is attached to this Explanatory Statement as Appendix B.

**Ranobe Project**

The core permit of the Ranobe project is PR 3315, issued on 12 January 2001 for a 10-year term, which expired on 11 January 2011, with mandatory relinquishment of a portion of the tenement after five years. Renewal application was made on 17 September 2010 for a three-year period. The Group has complied with all requirements for the licence renewal including the payment of all associated fees. The final step in the renewal process is receipt of a ministerial 'Arrêté' which remains outstanding. WTR believes that it has an irrevocable right to the permit renewal. The area of the tenement is 106.25km<sup>2</sup>.

On 12 March 2010, Toliara Sands SARL applied for PE 37242, containing an area of 24 km<sup>2</sup> within PR 3315. The application is pending. The resource for Stage 1 of WTR's proposed Ranobe development plan is located within this area.

PE 39130 is contiguous to, and south of, PE 37242, and was applied for on 17 September 2010. It also covers an area of 24km<sup>2</sup>. In due course the Group plans to either extend the life of its operations at Ranobe by mining this area after PE 37242 or increase annual tonnage by mining it concurrently with PE 37242.

Two additional PR's are within the Ranobe area. PR 12026 consisting of 6.25km<sup>2</sup> and expiring 14 September 2014; and PR 17388, totalling 18.75km<sup>2</sup>, expiring on 27th July 2015.

**Manombo – Morombe (M-M) Tenements**

**Ankililoaka**

PR 3314 consisting of 75km<sup>2</sup>, was granted 12 January 2001 for a ten year period with a renewal application being submitted on 17 September 2010 for three years from the initial term expiry on 11 January 2011. The Group has complied with all requirements in connection with the renewal while the ministerial 'Arrêté' remains outstanding as for PR 3314 above.

PR 36876 covers an area of 12.5km<sup>2</sup>, and was granted on 22 November 2004. It expires on 21 November 2014.

**Basibasy**

PR 35822 covers an area of 81.25km<sup>2</sup> and all other details are the same as for PR 3314 above.

**Morombe**

PR 30250 covers an area of 206.25km<sup>2</sup> and all other details are the same as for PR 3314 above.

## **Other Tenements**

Madagascar Resources SARL has five other tenement applications pending, covering 108km<sup>2</sup>, prospective for mineral sands in other parts of Madagascar.

### **(iii) Ranobe Exploitation Permit Process**

Ranobe's initial development is planned for PE 37242. Application for PE 37242 based on the conversion of the underlying research permit (PR 3315) was made on 12 March 2010 and is pending.

### **(iv) Ranobe Environmental Approval Process**

In parallel with the PE application process, application for environmental approval will be sought to begin exploitation. Toliara Sands SARL has prepared an advanced draft Environmental Impact Assessment dossier which, subject to final revisions, it intends to submit for review upon grant of the PE.

### **(v) Large Scale Investments in the Malagasy Mining Sector (LGIM)**

Companies investing more than US\$25 million in Malagasy mining projects are entitled to register under the LGIM by submission of an application file, including an investment plan. This application may be done in parallel with the PE application.

Key benefits of the LGIM are:

- Taxation and legal stability guaranteed for 25 years from project initiation, including the guarantee that the terms of Exploration, Exploitation and Environmental Permits will not be changed once granted/approved.
- International dispute arbitration and waiver of sovereign immunity on the enforcement of arbitrated awards.
- Ability to maintain and operate offshore bank accounts.
- Reduced corporate income tax rates: 10% for projects which transform minerals into value-added products, and 22% for mining and beneficiation operations. Investment tax credit based on capital investment, applied against taxes due and payable.
- Reduced royalty payments: 1% for value-added mineral products, a reduction from 2%.
- Up to 75% debt-financing, from external or shareholder sources, and repayment of loan principal and interest without withholding tax; 10% withholding tax on dividends to foreign shareholders; elimination of value-added tax (VAT) for operations and subcontractors.
- Elimination of customs duties and dedicated customs tariffs for import/export with the exception of 5% customs duty on consumables at the mine, reduced from 10%.

The Group is in the process of lodging an application for LGIM status.



(h) **Strategy**

(i) **Development of Ranobe**

**Permitting**

WTR submitted its application for PE 37242 in March 2010, together with a provisional Environmental Impact Assessment as required by the Mining Code. The application is currently being considered by the Ministry of Mines. WTR currently believes that PE 37242 will be granted before the end of 3Q 2011. WTR plans to utilise part of the proposed Offering proceeds to finalise its Environmental Impact Assessment for submission to the National Office of the Environment upon granting of the exploitation permit.

**Engineering**

The next phase of engineering will involve further detailed engineering optimisation work, building on the current TZMI scoping study, including modifying the design of plant and equipment to handle an increase in initial production from the originally planned rate of 200,000tpa to the targeted rate of 400,000tpa, detailed infrastructure studies, and identifying long lead time items for ordering. This work will also aid in establishing the specifications for a tender for project engineering design, procurement and construction management. Expenditure of up to \$2.5 million is expected, to achieve these goals.

**Surface Rights**

Surface rights payments for roads, loading facilities and other surface infrastructure, and subsurface rights payments for the pipeline, have to be finalised. WTR has developed good relationships with local communities over the period of its involvement in Madagascar and the Toliara region and agreements in relation to such rights are expected to proceed smoothly. It is expected that payments will be a mixture of purchases, leases and communal payments and facilities.

(ii) **Exploration**

No further exploration is required on the Ranobe area.

There is a general understanding of the extent and nature of the heavy mineral content of the Ankililoaka and Basibasy deposits, and WTR intends to undertake further exploration of these areas in conjunction with the development of Ranobe.

The 'Big Dune' at Morombe is of interest because exploration work to date indicates that it contains high-grade titanium and a Iso higher grade zircon than Ranobe. There is abundant water which would allow a dredging operation and possibly hydro electricity generation. The potential seen is for a large-scale operation which could support the infrastructure capital required and export a product through a port created at Morombe. Expenditure of US\$0.8 million has been allowed for drilling, assaying and preliminary metallurgical test work.

(i) **Implementation Deed – Material terms of the Acquisition**

A copy of the Implementation Deed is attached to the Company's ASX announcement on 29 August 2011. The material terms of the Implementation Deed (as amended by Deed of Amendment dated on or about 6 October 2011) are as follows:

(i) **Conditions precedent:** The Proposed Transaction is conditional on satisfaction or waiver of the following conditions precedent:

- (A) no Court or other order restraining or prohibiting the completion of any aspect of the Proposed Transaction shall be in effect;
- (B) the Scheme being approved by WTR shareholders at the Scheme Meeting;

- (C) ASIC stating in writing that it has no objection to the Scheme pursuant to section 411(17) of the Corporations Act;
- (D) the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act with or without modification;
- (E) the Options are issued and the holder agrees to the issue of the Options Consideration in consideration for the acquisition or cancellation of their WTR Options on implementation of the Scheme;
- (F) the Company and the holder of the WTR Warrants agree that the Warrant Offers Consideration will be issued in consideration for the acquisition or cancellation of the WTR Warrants on implementation of the Scheme not otherwise exercised prior to the Record Date;
- (G) no World Titanium Prescribed Occurrence occurs other than as required or contemplated by the Implementation Deed;
- (H) the Company conducting due diligence in respect of WTR and being satisfied in all respects with such due diligence;
- (I) the Company's shareholders approving the consolidation of its capital on a 1:4 basis;
- (J) the Company obtaining all shareholder approvals required for the Proposed Transaction, a change of name to World Titanium Resources Limited and the matters referred to in subparagraphs (I), (K) and (L);
- (K) the Company obtaining all necessary approvals for the disposal of its non-African uranium and copper assets by in specie distribution to holders of Bondi Shares at a record date to be set by Bondi but prior to the Second Court Date and completing all other steps required to effect such a disposal prior to the Second Court Date other than the transfer of shares held by Bondi in the subsidiary entities holding the non-African assets to the holders of Bondi Shares at the record date set for the in specie distribution which shall occur immediately following Court approval of the Scheme pursuant to section 411(4)(b) of the Corporations Act;
- (L) the Company meeting the requirements in Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the official list (including completing the Capital Raising);
- (M) the Company receiving in principle approval from ASX of the escrow to be applied to securities in the Company to be issued to holders of securities in WTR on terms acceptable to WTR;
- (N) the Company being satisfied that it is lawful to issue each Scheme Participant whose address in the Register as at the Record Date is in Mauritius, the UK, the USA, Canada, Switzerland, Ireland, Belgium, Jersey, Hong Kong, Luxembourg or Monaco with Scheme Consideration when the Scheme becomes Effective;
- (O) the Company receiving a letter from ASX confirming that ASX will grant conditional re-quotation of the Company shares on the official list of ASX (including those to be issued to WTR Shareholders under the Scheme) on terms acceptable to WTR, including in respect to escrow relief for Scheme participants;
- (P) WTR conducting due diligence in respect of the Company and being satisfied in all respects with such due diligence; and
- (Q) no Bondi Prescribed Occurrence occurs other than as required or contemplated by the Implementation Deed or the Scheme.

- (ii) **Scheme:** WTR must propose a scheme of arrangement under Part 5.1 of the Corporations Act under which, subject to the scheme becoming Effective, all of WTR's shares on issue at the Effective Date will be transferred to the Company and eligible WTR shareholders will be entitled to receive 3.5 Shares for each WTR Share held at the Record Date.
- (iii) **Options Consideration:** The Company has covenanted in favour of each WTR Optionholder that in consideration for the acquisition or cancellation of a WTR Option held by a WTR Optionholder under the terms of the WTR Options, the Company will grant to the WTR Optionholder 3.5 Options for each WTR Option on or about the date that the consideration under the Scheme is payable to WTR Shareholders, subject to the Scheme becoming effective.
- (iv) **Warrant Offer:** The Company has covenanted in favour of the WTR Warrantholder that in consideration for the acquisition or cancellation of a WTR Warrant held by the WTR Warrantholder under the terms of the WTR Warrant, the Company will grant to the WTR Optionholder 3.5 Warrants for each WTR Warrant on or about the date that the consideration under the Scheme is payable to WTR Shareholders subject to the Scheme becoming effective.
- (v) **Consolidation of capital:** The Company will consolidate its existing issued capital on a 1:4 basis.
- (vi) **Prospectus Issue:** The Company will undertake the Capital Raising by offering under a Prospectus up to 15,000,000 Shares at a price of no less than \$0.27 per Share to no less than the number of new investors in the Company required by ASX, to raise \$3,000,000.
- (vii) **Change of name:** The Company will change its name from 'Bondi Mining Limited' to 'World Titanium Resources Limited', and WTR will change its name from 'World Titanium Resources Limited' to a name to be determined in its sole discretion.
- (viii) **Appointment and resignation of directors (Company Board):** Immediately upon implementation of the Scheme, the Company will ensure that its Board (and the boards of each of its subsidiaries) is comprised of:
  - (A) up to eight nominees of WTR;
  - (B) one nominee of the Company; and
  - (C) the Chairman (who will be nominated by WTR).

The Company directors serving immediately prior to the Implementation Date shall resign immediately upon appointment of the WTR nominees.
- (ix) **Appointment of directors (WTR Board):** As soon as practicable after implementation of the Scheme, WTR will use its reasonable endeavours to cause the appointment to the WTR Board of one director nominated by the Company subject to that person being appointed having provided a consent to act as a director and to any necessary consents from Australian Government Authorities to their appointments having been obtained.
- (x) **Termination by WTR:** WTR may, by notice in writing to the Company, terminate the Implementation Deed without further obligation to the Company if:
  - (A) the Company is in material breach of its obligations under the Implementation Deed and has failed to remedy that breach within five Business Days after receipt by it of a notice in writing from WTR;
  - (B) any of the Conditions Precedent which are for the benefit of WTR become incapable of being satisfied (other than due to the failure of WTR to comply with clause 3.4 of the Implementation Deed) and are not otherwise waived;

- (C) any Court or regulatory authority has taken any action permanently restraining or otherwise prohibiting the Scheme or has refused to do anything necessary to permit the Scheme and such action or refusal has become final and unable to be appealed;
  - (D) it decides not to proceed after completing due diligence;
  - (E) the Proposed Transaction is not completed by 15 February 2012; or
  - (F) subject to the obligations in clause 9.3 of the Implementation Deed, without reason at its sole discretion.
- (xi) **Termination by Bondi:** The Company may, by notice in writing to WTR, terminate the Implementation Deed if:
- (A) WTR is in material breach of its obligations under the Implementation Deed and WTR has failed to remedy that breach within five Business Days after receipt by it of notice in writing from the Company setting out details of the relevant circumstances and requesting WTR to remedy that breach;
  - (B) any of the Conditions Precedent in clause 3.1 of the Implementation Deed becomes incapable of being satisfied and, in respect only of the Conditions Precedent which are for the benefit of the Company are not otherwise waived, including because of the occurrence of a Prescribed Occurrence;
  - (C) any Court or regulatory authority has taken any action permanently restraining or otherwise prohibiting the Scheme or has refused to do anything necessary to permit the Scheme and such action or refusal has become final and unable to be appealed;
  - (D) it decides not to proceed after completing due diligence; or
  - (E) the Proposed Transaction is not completed by 15 February 2012.
- (xii) **Break Fee:** Upon completion of their respective due diligence, the Company and WTR shall notify the other in writing whether it wishes to complete the Proposed Transaction. If each party confirms that it wishes to complete and thereafter WTR terminates the Proposed Transaction without cause and then, within six months after such termination WTR:
- (A) enters into a merger or similar arrangement with a third party and completes the same (whether or not completion is within the said six months after termination without cause);
  - (B) sells its Madagascar assets or any subsidiary containing such assets at the time of sale to a third party; or
  - (C) is acquired by a third party,
- then WTR shall reimburse the Company for its reasonable out-of-pocket expenses incurred in connection with the Proposed Transaction up to \$500,000 subject to reasonable supporting documentation.

(j) **Regulatory requirements – Change in nature of activities**

ASX Listing Rule 11.1 provides that, where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and must comply with the following:

- (i) provide to ASX information regarding the change and its effect on future potential earnings, and any information ASX asks for;

- (ii) if ASX requires, obtain the approval of the company's shareholders and any requirements ASX has in relation to the notice of meeting; and
- (iii) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying to the official list of ASX.

As indicated above, ASX has informed the Company that the Acquisition requires the Company to:

- (i) obtain Shareholder approval for the change in nature and scale of its activities; and
- (ii) in accordance with ASX Listing Rule 11.1.3, re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules as if the Company were applying to the official list of ASX.

If Resolution 1 is approved by Shareholders, the securities of the Company will be suspended until the Company satisfies the requirements of Chapter 1 and 2 of the ASX Listing Rules.

(k) **Proposed Directors**

Upon implementation of the Scheme, the Company will appoint the following nominees of WTR to the Board:

**Tristan Davenport**

Mr Davenport was educated at Millfield School and subsequently studied Anthropology and Archaeology at the University of London (SOAS). He later trained at De Beers' London office as a diamond sorter and studied diamond gemology at the Gemological Association of Great Britain. In 1995 he joined America Mineral Fields in the Democratic Republic of Congo ('DRC') and later in Zambia for Zamgold. He also established and managed laboratories in Finland and Norway to process project samples and has overseen projects in the DRC, Sierra Leone and Madagascar for various companies.

**Edward Wayne Malouf**

Mr Malouf holds a BA and JD from St Mary's University (San Antonio, Texas), and an MA in social sciences (concentration in economics and international relations) from the University of Chicago. From 2002 to 2005 he was CEO of Sierra Rutile Limited (fka Titanium Resources Group) ('TRG'), one of the world's largest rutile titanium producers. From 2005 to 2008 he was SRL's Executive Vice-Chairman. He oversaw the company's IPO listing on the AIM market of the London Stock Exchange and successful restart of the Sierra Rutile titanium and the Sierra Minerals bauxite mines, and was responsible for the sale of more than US\$350 million USD of titanium and bauxite. Mr Malouf returned to TRG briefly as Executive Chairman from August 2010 to February 2011 and implemented improvements in the company's organisation and operations. From 2008 to 2010 he served as CEO and Chairman of Diamond Fields Resources ('DFI'), a Toronto Stock Exchange company, where he negotiated the joint venture for the Atlantis II Red Sea deposit, the largest known SEDEX deposit in the world. He serves as DFI's non-executive Chairman. Mr Malouf joined the WTR Board in January 2011.

**Goorodeo Sookun**

Mahen Sookun was appointed a director in June 2011. He is a fellow of the Association of Chartered Certified Accountants (UK) and holds an MBA(Finance) from the University of Leicester (UK). He has served in private and public companies during the last twenty years as Corporate Finance Executive in Mauritius and Africa in diverse sectors such public utilities, agriculture and textiles, real estates development and mining. Before joining World Titanium, he was the Group Finance and Administrative Manager of Titanium Resources Limited, a company involved in mineral resources and mining and listed on the AIM market of the London Stock Exchange. He is also currently the Director, CFO and Secretary of Diamond Fields International, a public company listed in Toronto. In Mauritius, Mr Sookun is the Head of Finance of the largest Real Estate Development in the Anahita Integrated Resort Scheme Development promoted by the CIEL Group.

### **Ian Ransome**

Dr Ian Ransome is a geologist, whose academic qualifications include an MSc in geochemistry and a PhD in geology. He has more than 20 years' experience as an exploration geologist, using a multidisciplinary approach to generating and evaluating exploration targets in diamonds, gold, nickel, base and rare metals. Most of his experience has been in a broad range of African countries, including a nickel laterite project in Madagascar. Dr Ransome is presently a director and chief executive officer of Diamond Fields International Ltd.

### **Bruce Griffin**

Bruce Griffin is an experienced executive and brings relevant international mineral sands experience to World Titanium. He is currently the Managing Director of MIL Resources an ASX listed Papua New Guinea focussed exploration company and was previously Group General Manager Storage and Logistics at GrainCorp where he was responsible for grain storage and handling business including road rail and port logistics, OH&S, quality assurance and technical services. He also spent seven years at BHP Billiton and nine years in a variety of operational and commercial positions with Shell and has experience as a management consultant with Bain & Company.

While at BHP Billiton, Bruce held a number of positions including Vice President, Global Approvals for the Rio Tinto takeover bid and Vice President Titanium where he had responsibility for BHP Billiton's titanium business, including the Richards Bay Minerals joint venture with Rio Tinto and the Corridor Sands and Tigen projects in Mozambique. Bruce held a number of operational and commercial roles for the Shell Group in New Zealand, Venezuela and the Netherlands.

Bruce holds a Bachelor of Engineering Degree in Chemical and Process Engineering from Canterbury University, a Bachelor of Arts Degree in Economics from Massey University and an MBA from the Melbourne Business School.

Upon implementation of the Scheme, the Company's current Directors Messrs Rick Valenta, Simon O'Loughlin and Creagh O'Connor shall retire from the Board. The Company's current Director Mr Darren Morcombe shall remain on the Board.

#### **(l) Pro-forma statement of financial position**

An unaudited pro-forma balance sheet of the Company to illustrate the financial impact of the Company acquiring the WTR Shares and undertaking the Capital Raising and the Consolidation (see Resolutions 5 and 7) is set out in annexure A to this Explanatory Statement. The unaudited pro forma balance sheet has been prepared based on:

- (i) the unaudited balance sheet of WTR as at 30 June 2011; and
- (ii) the audited balance sheet of the Company as at 30 June 2011,

assuming, among other things, that Completion has occurred, the Capital Raising has been successful and the Acquisition costs and the costs of the Capital Raising contemplated by the Prospectus have been paid and expensed. The assumptions are detailed in annexure A.

The pro forma consolidated statement of financial position set out in annexure A should be read in conjunction with the risk factors set out in Section 1(p) of this Explanatory Statement and other information contained in this Explanatory Statement.

#### **(m) Effect on capital structure**

At Completion, the capital structure of the Company will be as follows:

	Number of Shares	Number of Options/Warrants
Held by existing securityholders holders (at the date of this Explanatory Statement)	120,412,807	5,235,000

Held by existing securityholders on a post-Consolidation basis (subject to rounding up of fractional entitlements)	30,103,202	1,308,750
Securities issued to WTR securityholders (on a post-Consolidation basis)	257,144,545	17,767,050
Maximum number of Shares issued under the Prospectus (on a post-Consolidation basis)	11,111,112	N/A
<b>Total number of securities on issue on Completion</b>	<b>298,358,859</b>	<b>19,075,800</b>

This table assumes that the Consolidation has been implemented and that a maximum of 11,111,112 Shares (on a post-Consolidation basis) are issued under the Prospectus at an issue price of \$0.27 each to raise a maximum of \$3,000,000.

(n) **Advantages of Acquisition**

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

- A merger with WTR will transform the Company into a mineral sands company with a world-class development-stage asset, on the path to become a major mineral sands producer.
- The Toliara project held by WTR is a high grade, low capex, low cost, large tonnage asset potentially two years from production.
- The Toliara project has huge scope for near-term valuation increase.

The Company believes the advantages outlined above will enhance the potential for additional value creation for all Shareholders.

(o) **Disadvantages of Acquisition**

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

- (i) the Company will begin mining exploration activities, which may not be consistent with the objectives of Shareholders;
- (ii) the Acquisition will result in the issue of Shares to WTR Shareholders, which will have a dilutionary effect on the current holdings of Shareholders; and
- (iii) there are many risk factors associated with the proposed projects and operations of WTR. Some of these risks are set out below.

(p) **Risk factors**

If all the Resolutions in the Notice of Meeting are approved and the conditions precedent in the Implementation Deed are satisfied, the Acquisition will proceed and be implemented. The Acquisition will provide an opportunity for the Company to diversify its operations to include mineral sands mining exploration activities in Madagascar.

An investment in the Company, before or after completion of the Acquisition, is not risk free. Shareholders should consider the various risk factors, some of which are described below, before deciding whether to vote in favour of the Resolutions.

The following summary is not intended to be an exhaustive list of the risk factors, but identifies some of the material risk factors of which Shareholders should be aware.

### **Permitting**

The material assets of WTR are its mineral exploration licences in Madagascar and in particular, exploration licences held in connection with WTR's Ranobe mineral sands project and M-M tenements.

Investors should be aware that certain material exploration licences covering the Ranobe project expired in January 2011. WTR has complied with all licence conditions to satisfy renewal of these licences under the Malagasy Mining Code and is awaiting ministerial 'Arrêté' which evidences the end of the renewal process and should have been received within 30 days following submission of the renewal application. However, for several months processes at the BCMM and the Ministry of Mines have significantly slowed down and sometimes completely ceased. There can therefore be no guarantee that the relevant licences will be renewed or certainty over the timeframe within which renewals will be completed, if at all.

Further, in order for WTR to bring the Ranobe project into production in line with its business plan, WTR will need to convert certain of its exploration licences into exploitation licences. For the reasons described above, there can similarly be no guarantee that WTR will be successful in obtaining the required exploitation licences or certainty over the timeframe within which this can be achieved, if at all.

Obtaining the necessary licences to conduct exploitation operations can be a complex and time consuming process and WTR cannot guarantee whether any necessary licences will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining licences and complying with applicable laws and regulations could stop, delay or restrict WTR from proceeding with future exploration, development or mining operations.

Title to, and the area of, mineral resource claims may be disputed, challenged or subject to reallocation for breach or non-compliance. There is no guarantee that any title to WTR's projects which is granted to WTR will not be challenged, impaired or revoked. Any successful challenge to any title to WTR's projects granted to WTR could stop, materially delay or restrict WTR from proceeding with its future exploration, development or mining operations.

### **Sovereign risk**

WTR's assets are located in Madagascar. Madagascar recently experienced a period of political unrest that began in late January 2009. An interim solution was found with the installation of a transitional authority. As part of this process, an accord was reached between present and former administrations in Maputo Mozambique in early August 2009 that will advance the process of regularising government in the country. Although it is anticipated that national elections will be held within the agreed timeframe, this cannot be guaranteed. WTR has remained fully operational in the country during this period of political unrest, inclusive of expatriate management, and no material hindrance to operations or assets has been experienced during the period of transition.

Presently the security situation in Madagascar remains stable, albeit with localised episodes of unrest. WTR's operations and staff remain secure and business is being conducted on a normal day-to-day basis. Entry and exit to the country continues without impediment. WTR continues to monitor the situation through its established presence in Madagascar and remains hopeful of an early completion of the stabilisation process.

### **Operating Risks**

The current and future operations of WTR, including exploration, appraisal and possible production activities, may be affected by a range of factors, including:

- (i) adverse geological conditions;
- (ii) limitations on activities due to seasonal weather patterns and cyclone activity;



- (iii) unanticipated operational and technical difficulties encountered in seismic survey, drilling and production activities;
- (iv) mechanical failure of operating plant and equipment;
- (v) industrial and environmental accidents, industrial disputes and other *force majeure* events;
- (vi) unavailability of aircraft or drilling equipment to undertake airborne electromagnetic and other geological and geophysical investigations;
- (vii) unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment; and
- (viii) inability to obtain necessary consents or approvals.

### **Contractual risks**

#### **(i) Contractual**

The ability of WTR to achieve its objectives will depend on the performance by the other parties to contracts which WTR may enter into in the future. If a party defaults in the performance of its obligations it may be necessary for WTR to approach a Court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

#### **(ii) Litigation**

WTR was party to the Exxaro Option Agreement dated 21 November 2003, whereby WTR granted Exxaro Mineral Sands BV (**Exxaro**) an option over all of WTR's then held subsidiaries. The Exxaro Option Agreement provided that if WTR sold an interest in the Toliara Sands Project prior to 17 January 2012, Exxaro would be entitled to half of the proceeds up to an amount which recouped its expenditure of US\$17 million on the Toliara Sands Project. If WTR were to develop the project in its own right, the full amount would be payable at the commencement of construction. WTR has advised Exxaro that this recoupment clause does not apply in the event of termination, which is the manner in which Exxaro chose to end its involvement, so it is not able to claim reimbursement. Exxaro has advised WTR that it does not accept this interpretation. On this basis, there is a risk that Exxaro may commence litigation against WTR. However, WTR considers that such an action would be unlikely to succeed as it has been advised by Australian Senior Counsel (a member of the Western Australian Bar) that Exxaro has no basis for a claim under the recoupment clause. Any action initiated by Exxaro will be defended vigorously by WTR.

### **Economic risks**

General economic conditions, and movements in interest, inflation and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

### **Market conditions**

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Also, there is no guarantee that ASX will exercise its discretion to remove the suspension on trading in the Company's securities and admit the Shares to quotation.

## **Security investments**

There are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies, have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

Exploration in itself is a speculative endeavour, while mining operations can be hampered by *force majeure* circumstances and cost overruns for unforeseen events.

## **Exploration and production risks**

The business of mineral sands exploration, project development and production involves inherent risks. Success depends on the successful exploration appraisal, design and construction of efficient recovery and processing facilities, competent operational and managerial performance, and efficient distribution and marketing services. Exploration is a speculative endeavour and production operations can be hampered by engineering difficulties, cost overruns, inconsistent recovery rates and other unforeseen events.

The outcome of the Company's exploration, project development and production programs will affect the future performance of the Company and the price of its Shares.

If and when the Company commences production, the production may be curtailed or shut down for considerable periods of time owing to a range of factors such as disruptions to transport infrastructure, lack of market demand, government regulation, production allocations or *force majeure* events. These curtailments may continue for a considerable period of time resulting in a materially adverse effect on the operations and/or financial condition of the Company.

The exploration for and production of mineral sands involves certain operating hazards, such as:

- failure and/or breakdown of equipment;
- adverse geological, seismic and geotechnical conditions;
- industrial accidents;
- labour disputes;
- pollution; and
- other environmental hazards and risks.

Any of these hazards could cause the Company to suffer substantial losses if they occur. The Company may also be liable for environmental damage caused by previous owners of the property to be developed. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could reduce or eliminate funds available for acquisitions, exploration and development or cause the Company to suffer losses.

## **Environmental risks**

The proposed exploration and mining activities of the Company in Madagascar are subject to Malagasy laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all applicable environmental laws.

The Company may also become liable for environmental damage caused by previous owners of any tenements the Company acquires. As a result, substantial liabilities to third parties or

governmental entities may be incurred, the payment of which could reduce or eliminate funds available for acquisitions, exploration and development or cause the Company to suffer losses.

### **Regulatory risks**

Actions or policy changes by governments (particularly in Australia and Madagascar) in relation to access to lands and infrastructure, compliance with environmental regulations, taxation, royalties and subsidies may adversely affect the Company's operations and financial performance.

The Company's operations will be governed by a series of Malagasy laws, regulations and decrees. These laws, regulations and decrees may be amended from time to time, which may have a material adverse impact on the financial position, financial performance, cashflows, growth prospects and share price for the Company. Breaches or non-compliance with these laws, regulations or decrees can result in penalties and other liabilities, which may also have a material adverse impact on the financial position, financial performance, cashflows, growth prospects and share price of the Company.

While the Company is reasonably familiar with the Malagasy regulatory regime and will undertake all reasonable due diligence in assessing and managing the risks associated with investing and operating in Madagascar (and other countries in which it may invest), the legal and political conditions of the country and any changes thereto are outside the control of the Company.

### **Commodity price volatility and exchange rate**

If the Company achieves success leading to mineral sands production, the revenue it will derive through the sale of these minerals exposes the potential income of the Company to price and exchange rate risks. Mineral sands prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations, technological advancements, forward selling activities and other macroeconomic factors.

Furthermore, international prices of mineral sands are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets. The Company will also be incurring expenditures in Madagascar in Euro and Ariary, exposing the Company also to the impact of fluctuations in those currencies.

### **Exploration and Development**

The mineral tenements of WTR are at various stages of exploration and development. Potential investors should understand that mineral exploration and development are high-risk undertakings which require substantial investment.

There can be no assurance that exploration or exploitation of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

WTR has lodged renewal applications for all affected exploration permits and applications for two mining permits with the Bureau Du Cadastre Minier De Madagascar in Madagascar. Although WTR is not aware of any reason why these applications may be rejected, there is the risk that WTR may not be able to secure these mining permits.

The exploration and development costs of WTR are based on certain assumptions with respect to the method and timing of exploration and development. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Therefore, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect WTR's viability.

### **Future capital requirements**

The Company's ongoing activities will require substantial expenditures. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

### **Resource estimates and targets**

Resource estimates and targets, including the exploration targets contained in this Explanatory Statement, are expressions of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made but may change significantly when new information becomes available. There are risks associated with such estimates, including that mineral sands mined may be of a different quality, tonnage or strip ratio from the estimates. Resource estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to the Company resources could affect the Company's development and mining plans.

### **Reliance on key personnel and employees**

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

### **Insurance**

The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, any such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover.

While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers, there will remain the risk that an insurer defaults in payment of a legitimate claim by the Company under an insurance policy.

#### **(q) Issue of Shares to Boule Titanium Limited**

Boule Titanium is WTR's largest shareholder with 21,801,555 of WTR's shares, comprising 29.67% of WTR's Shares. Upon completion, Boule Titanium will be issued 76,305,443 Shares (on a post-Consolidation basis) in the Company, which equates to approximately 25.58% of the Company's Shares (on a post-Consolidation and post-fully subscribed Capital Raising basis).

To ensure that Shareholders have all information necessary to consider Resolution 1, the Company's Board commissioned InterFinancial Corporate Finance Limited to prepare a report on the Proposed Transaction to ascertain whether it is fair and reasonable to the shareholders of the Company who are not associated with Boule Titanium.

**The Independent Expert has concluded in its report that in its opinion, the Proposed Transaction is fair and reasonable to shareholders of the Company disregarding Boule Titanium and Shareholders associated with Boule Titanium.**

The Independent Expert's Report is set out in annexure B to this Explanatory Statement.

The Independent Expert has given, and has not, before the issue of this Explanatory Statement, withdrawn its consent to be named in this Explanatory Statement as independent expert in relation to the Proposed Transaction. The Independent Expert has not authorised or caused the issue of this Explanatory Statement and does not take any responsibility for any part of this Explanatory Statement, other than the Independent Expert's Report attached as Annexure B to this Explanatory Statement and the references to it in this Explanatory Statement.

(r) **Recommendation**

Each of the Directors recommends that Shareholders approve all of the Resolutions and intends to vote his Shares in favour of all the Resolutions, subject to any voting exclusions for particular Resolutions.

Based on the information available, including that contained in this Explanatory Statement and the risks outlined in Section 1(p) of this Explanatory Statement, all of the Directors consider that the proposed Acquisition is in the best interests of the Company and recommend that Shareholders vote in favour of the Resolutions. The Directors have approved the proposal to put the Resolutions to Shareholders and approved the information contained in this Explanatory Statement.

The Directors recommend and believe that it is in the best interests of the Company and Shareholders that Shareholders approve the Resolutions set out in the Notice of Meeting as this will enable the Company to expand and diversify its activities to include exploration and mining mineral sands in Madagascar.

Shareholders should note that each of the Resolutions set out in the Notice of Meeting are interdependent and conditional on all the other Resolutions being passed. If any one Resolution put to Shareholders is not passed, the Acquisition will not proceed.

Having reviewed other investment proposals, the Directors are of the opinion that the Acquisition meets the Board's criteria and represents a significant opportunity for Shareholders.

The passing of Resolution 1 depends on the passing of Resolution 2 to 10 (inclusive), the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act.

## **2. RESOLUTION 2: ISSUE OF OPTIONS TO WTR OPTIONHOLDERS**

(a) **General comments**

Under the Implementation Deed, the Company has covenanted in favour of each WTR Optionholder that in consideration for the acquisition or cancellation of a WTR Option held by a WTR Optionholder under the terms of the WTR Options, the Company will grant to the WTR Optionholder 3.5 Options for each WTR Option on or about the date that the consideration under the Scheme is payable to WTR Shareholders, subject to the Scheme becoming effective.

As at the date of this meeting WTR has granted 4,650,000 WTR Options, with each option having an exercise price of \$1 and an expiry date of 31 March 2015.

ASX Listing Rule 7.1 provides that a company may 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, 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 2 will be to enable the Company to issue the Options to the WTR Optionholders within the period of three months after the date of the General Meeting or such longer period as permitted by ASX, without those Options counting towards the 15% of the issued capital of the Company that can be issued in any 12-month period without Shareholder approval.

(b) **Technical information required by ASX Listing Rule 7.3**

ASX Listing Rule 7.3 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to ASX Listing Rule 7.1:

(i) **Maximum number of securities:**

The maximum number of Options to be issued is 16,275,000 Options (on a post-Consolidation basis).

(ii) **Date of allotment and issue of the securities:**

The Options will be issued no later than three 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).

(iii) **Issue price of the securities:**

The Options will be issued for no cash consideration, but rather as consideration for the acquisition or cancellation of the WTR Options, as referred to above. Accordingly, no funds will be raised from the issue of the Options.

(iv) **Names of allottees:**

The Options will be issued to WTR Optionholders in consideration for the acquisition or cancellation of their WTR Options.

(v) **Terms of the securities:**

The terms and conditions of the Options are contained in annexure C to this Explanatory Statement.

(vi) **Intended use of funds:**

No funds will be raised from the issue of the Options. The Options will be issued as consideration to the WTR Optionholders for the acquisition or cancellation of the WTR Options.

The passing of Resolution 2 depends on the passing of Resolutions 1 and 3 to 10 (inclusive), the satisfaction or waiver of the conditions precedent to the Acquisition, the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act and the Company obtaining the approval of ASX for reinstatement of its securities to quotation.

**3. RESOLUTION 3: ISSUE OF OPTIONS TO PROPOSED DIRECTORS OF THE COMPANY**

(a) **General Comments**

Resolution 3 seeks Shareholder approval to issue a total of 12,250,000 Options to the proposed Directors of the Company referred to in Section 1(k) of this Explanatory Statement.

A summary of ASX Listing Rule 7.1 is contained in Section 2(a) of this Explanatory Statement.

The effect of Resolution 3 will be to enable the Company to issue the Options to the proposed Directors within the period of three months after the date of the General Meeting or such longer period as permitted by ASX, without those Options counting towards the 15% of the issued capital of the Company that can be issued in any 12-month period without Shareholder approval.

(b) **Technical information required by ASX Listing Rule 7.3**

ASX Listing Rule 7.3 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to ASX Listing Rule 7.1:

(i) **Maximum number of securities:**

The maximum number of Options to be issued is 12,250,000 Options (on a post-Consolidation basis).

(ii) **Date of allotment and issue of the securities:**

The Options will be issued no later than three 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).

(iii) **Issue price of the securities:**

The Options will be issued for no cash consideration but rather as consideration for the acquisition or cancellation of the WTR Options held by the proposed Directors. Accordingly, no funds will be raised from the issue of the Options.

(iv) **Names of allottees:**

The Options will be issued to the proposed Directors referred to in Section 1(k) of this Explanatory Statement in consideration for the acquisition or cancellation of their WTR Options.

(v) **Terms of the securities:**

The terms and conditions of the Options are contained in annexure C to this Explanatory Statement.

(vi) **Intended use of funds:**

No funds will be raised from the issue of the Options. The Options will be issued as consideration to the proposed Directors referred to in Section 1(k) of this Explanatory Statement for the acquisition or cancellation of their WTR Options.

The passing of Resolution 3 depends on the passing of Resolutions 1, 2 and 4 to 10 (inclusive), the satisfaction or waiver of the conditions precedent to the Acquisition, the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act and the Company obtaining the approval of ASX for reinstatement of its securities to quotation.

**4. RESOLUTION 4: ISSUE OF WARRANTS TO GMP SECURITIES EUROPE LLP**

(a) **General comments**

Under the Implementation Deed, the Company has covenanted in favour of the WTR Warrantholder that in consideration for the acquisition or cancellation of a WTR Warrant held by the WTR Warrantholder under the terms of the WTR Warrant, the Company will grant to the WTR Optionholder 3.5 Warrants for each WTR Warrant on or about the date that the consideration under the Scheme is payable to WTR Shareholders subject to the Scheme becoming effective.

As at the date of this meeting WTR has one Warrantholder (namely GMP Securities Europe LLP) which holds 426,300 WTR Warrants, with each WTR Warrant having an exercise price of US\$1 and an expiry date of 21 June 2013.

A summary of ASX Listing Rule 7.1 is contained in Section 2(a) of this Explanatory Statement.

The effect of Resolution 4 will be to enable the Directors to issue the Warrants to the WTR Optionholder within the period of three months after the date of the General Meeting or such longer period as permitted by ASX, without those Options counting towards the 15% of the issued capital of the Company that can be issued in any 12-month period without Shareholder approval.

(b) **Technical information required by ASX Listing Rule 7.3**

ASX Listing Rule 7.3 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to ASX Listing Rule 7.1:

(i) **Maximum number of securities:**

The maximum number of Warrants to be issued is 1,492,050 Warrants (on a post-Consolidation basis).

(ii) **Date of allotment and issue of the securities:**

The Warrants will be issued no later than three 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).

(iii) **Issue price of the securities:**

The Warrants will be issued for no cash consideration, but rather as consideration for the acquisition or cancellation of the WTR Warrants, as referred to above. Accordingly, no funds will be raised from the issue of the Warrants.

(iv) **Names of allottees:**

The Warrants will be issued to the GMP Securities Europe LLP in consideration for the acquisition or cancellation of its WTR Warrants.

(v) **Terms of the securities:**

The terms and conditions of the Warrants are contained in annexure D to this Explanatory Statement.

(vi) **Intended use of funds:**

No funds will be raised from the issue of the Warrants. The Warrants will be issued as consideration to GMP Securities Europe LLP for the acquisition or cancellation of the Warrants.

The passing of Resolution 4 depends on the passing of Resolutions 1 to 3 (inclusive) and 5 to 10 (inclusive), the satisfaction or waiver of the conditions precedent to the Acquisition, the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act and the Company obtaining the approval of ASX for reinstatement of its securities to quotation.

## **5. RESOLUTION 5: ISSUE OF SHARES UNDER PROSPECTUS**

(a) **General comments**

Resolution 5 seeks Shareholder approval for the allotment and issue of up to 11,111,112 Shares (on a post-Consolidation basis) at an issue price of \$0.27 per Share to raise up to a total of \$3,000,000.

The Company intends to conduct the Capital Raising through the issue of a Prospectus as part of its re-compliance with Chapters 1 and 2 of the ASX Listing Rules and to raise capital of \$3,000,000.



A summary of ASX Listing Rule 7.1 is set out in Section 2(a) of this Explanatory Statement.

The effect of Resolution 5 will be to enable the Directors to issue up to 11,111,112 Shares within a three-month period after the date of the General Meeting or such longer period as permitted by ASX, without those Shares counting towards the 15% of the issued capital of the Company that can be issued in any 12-month period without shareholder approval.

(b) **Technical information required by ASX Listing Rule 7.3**

ASX Listing Rule 7.3 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to ASX Listing Rule 7.1:

(i) **Maximum number of securities:**

The maximum number of Shares to be issued is 11,111,112 Shares (on a post-Consideration basis).

(ii) **Date of allotment and issue of the securities:**

The Shares will be issued no longer than three 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).

(iii) **Issue price of the securities:**

The issue price of the Shares will be \$0.27 each.

(iv) **Names of allottees:**

The 11,111,112 Shares will be allocated to applicants subscribing to the capital raising pursuant to the Prospectus to be issued by the Company.

(v) **Terms of the securities:**

The Shares issued will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing ordinary shares of the Company.

(vi) **Intended use of funds:**

The Company intends to use the amounts raised from the Capital Raising (assuming a maximum of \$3,000,000 is raised) as working capital and to fund expansion of the business of the Company as follows:

	(\$)
<b>Funds available</b>	
Cash reserves (approximate)	10,900,000
Proceeds from offer	3,000,000
<b>Total funds available</b>	<b>13,900,000</b>
<b>Use of funds</b>	
Exploration and Project Evaluation costs in relation to the Ranobe and Morombe properties (note 1)	800,000
Engineering studies and design of Ranobe project facilities	2,020,000
Expenses of Acquisition and Capital	180,000

Raising	
<b>Totals</b>	<b>3,000,000</b>

**Note 1 – Exploration and Project Evaluation**

Ranobe project	400,000
Morombe project	400,000
<b>Total Infrastructure expenditure</b>	<b>800,000</b>

The above budget is indicative only. As with any budget, intervening events and changed circumstances may alter the way funds are ultimately applied.

Further details on the use of funds will be set out in the Prospectus that will be issued in respect of the Capital Raising.

The passing of Resolution 5 depends on the passing of Resolutions 1 to 4 (inclusive) and 6 to 10 (inclusive), the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act.

## **6. RESOLUTION 6: ISSUE OF SHARES TO DARREN MORCOMBE UNDER PROSPECTUS**

### **(a) General comments**

Resolution 6 seeks Shareholder approval to enable the Company to issue up to 370,371 of the Shares under the Prospectus to Darren Morcombe.

The proposed Share issue to Mr Morcombe requires the approval of shareholders pursuant to ASX Listing Rule 10.11. Shareholder approval is required under ASX Listing Rule 10.11 because Mr Morcombe is a director of the Company and, as such, is a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

### **(b) Technical Information required by Listing Rule 10.13**

For the purpose of ASX Listing Rule 10.13 information regarding the proposed Share issue is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

#### **(i) Date of allotment and issue of the securities:**

The Shares will be issued no later than one month 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).

#### **(ii) Issue price of the securities:**

The Shares will be issued at an issue price of \$0.27 each.

#### **(iii) Terms of the securities:**

The Shares issued will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing ordinary shares of the Company.

#### **(iv) Intended use of funds:**

The intended use of funds raised is described in Section 5(b)(vi) of this Explanatory Statement.

The passing of Resolution 6 depends on the passing of Resolutions 1 to 5 and 7 to 10 (inclusive), the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act.

## 7. RESOLUTION 7: CONSOLIDATION OF SHARES AND OPTIONS

### (a) General comments

Resolution 7 seeks Shareholder approval to consolidate the number of Shares and Options existing at 15 December 2011 on a one-for-four basis (rounded up to the nearest whole number), with the proposed consolidation to become effective on the date of, and immediately prior to, Completion of the Acquisition (**Consolidation**).

### (b) Background and explanation

If Shareholders approve the Acquisition proposed by passing all Resolutions, the Company will need to requalify for and seek admission to the official list of ASX. One of the conditions to requalify is that the Company must have a share price equal to, or greater than, \$0.20.

The proposed Consolidation is intended to position the Company so that the price of its Shares will satisfy this condition to the Company's re-admission to the official list of ASX.

### (c) Legal requirements

Section 245H of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number.

Rule 113.1 of the Company's Constitution provides that the Company may convert all or any of its shares into a larger or smaller number of shares by resolution passed at a general meeting.

In the case of a consolidation of share capital of the Company, the ASX Listing Rules also require that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price by amended in inverse proportion to that ratio.

Accordingly, the Options on issue will be consolidated, and the exercise price of the Options amended, as follows (subject to adjustment for fractional calculations):

Existing Options and expiry date	Existing number of Options on issue	Existing exercise price	Number of Options on issue after consolidation	Exercise price of Options after consolidation
Options (expiry 11/11/2011)	500,000	\$0.30	125,000	\$1.20
Options (expiry 11/11/2011)	500,000	\$0.35	125,000	\$1.40
Options (expiry 11/11/2011)	500,000	\$0.40	125,000	\$1.60
Options (expiry 26/11/2012)	120,000	\$0.30	30,000	\$1.20
Options (expiry 08/05/2013)	1,500,000	\$0.20	375,000	\$0.80
Options (expiry 08/05/2015)	1,900,000	\$0.20	475,000	\$0.80
Option (expiry 28/02/2015)	65,000	\$0.12	16,250	\$0.48
Options (expiry 22/05/2015)	50,000	\$0.15	12,500	\$0.60
Options (expiry )	50,000	\$0.21	12,500	\$0.84

22/05/2015)				
Options (expiry 22/05/2015)	50,000	\$0.28	12,500	\$1.12

(d) **Fractional entitlements**

The consolidation ratio is 4:1. Fractional entitlements may arise where Shareholders or Optionholders hold a number of Shares or Options which cannot be evenly divided by four. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or Option (as applicable).

(e) **Taxation**

The Company considers that no taxation implications will arise for Shareholders or Optionholders from the Consolidation. However, Shareholders and Optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation implications arising from the Consolidation.

(f) **Holding statements and Option certificates**

From the date of the Consolidation:

- (i) all holding statements for the Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis; and
- (ii) all certificates for unlisted Options (if any) will cease to have any effect, except as evidence of entitlement to a number of Options on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares to be issued to holders of those securities and, to the extent required, new certificates for unlisted Options to be issued to Optionholders.

(g) **Effect on Capital Structure**

If all Resolutions are passed, the Capital Raising is successfully undertaken and the Consolidation is implemented, the capital of the Company will change as set out below.

Capital Structure	Shares	Options
<b>Shares</b>	<b>298,358,859</b>	
<b>Options</b>		
Director Options - Expiry 31 March 2015		12,250,000
Employee Incentive Plan Options - Expiry 31 March 2015		4,025,000
Employee Incentive Plan Options - Expiry 11 November 2011		375,000
Employee Incentive Plan Options - Expiry 26 November 2012		30,000
Employee Incentive Plan Options - Expiry 8 May 2013		375,000
Employee Incentive Plan Options - Expiry 8 May 2015		475,000
Employee Incentive Plan Options - Expiry 28 February 2015		16,250
Employee Incentive Plan Options - Expiry 25 May 2015		37,500

For existing Shareholders, the 120,412,807 Shares held by them will be consolidated into approximately 30,103,202 Shares.

(h) **Expected timetable for consolidation**

<b>Event</b>	<b>Expected Date</b>
Last day for trading in 'pre-consolidated securities'	2 December 2011
Company advises ASX that the Shareholders have approved Resolution 7	7 December 2011
Last day for Company to register transfers on a 'pre-consolidated' basis	15 December 2011
First date for Company to register securities on a post-consolidation basis and first date for issuing holding statements	16 December 2011
Last date for Company to register securities on a post-consolidation basis and last date for issuing holding statements	22 December 2011

If Shareholders approve the change in nature and scale of the Company's activities the subject of Resolution 1, the securities of the Company will remain suspended until the Company satisfies the requirements of Chapters 1 and 2 of the ASX Listing Rules. As a result of this suspension, the last day for trading of the Company's securities on a pre-consolidation basis will be 2 December 2011.

The Company's securities will recommence trading on a T +3 basis when the Company has re-complied with Chapters 1 and 2 of the Listing Rules and ASX confirms that it will reinstate the Company's securities to official quotation.

The passing of Resolution 7 depends on the passing of Resolutions 1 to 6 (inclusive), 8, 9 and 10, the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act.

**8. RESOLUTION 8: CHANGE OF NAME**

The Company seeks to change its name from Bondi Mining Limited to World Titanium Resources Limited.

Pursuant to section 157(1) of the Corporations Act, if a company wants to change its name it must (among other things) pass a special resolution adopting a new name.

The Directors consider that, after and subject to the Acquisition, it will be more appropriate to name the company 'World Titanium Resources Limited' in order to more accurately reflect the nature and focus of the Company's future operations.

Resolution 8 is a special resolution.

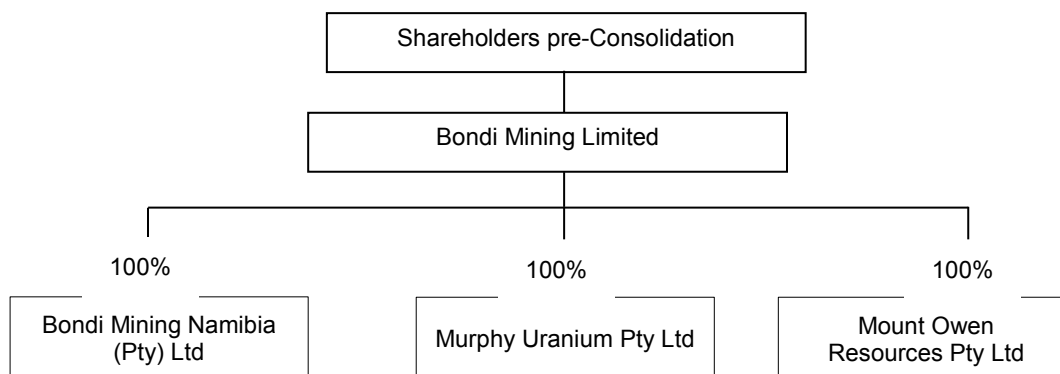
The passing of Resolution 8 depends on the passing of Resolutions 1 to 7 (inclusive), 9 and 10, the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act.

**9. RESOLUTION 9: DISPOSAL OF MURPHY URANIUM PTY LTD SHAREHOLDING AND MOUNT OWEN RESOURCES PTY LTD SHAREHOLDING**

(a) **Background**

As referred to in Section 1(i) of this Explanatory Statement, the Proposed Transaction is conditional on (among other things) the Company obtaining all necessary approvals for the disposal of its non-African assets by in specie distribution to holders of Shares at a record date to be set by the Company but prior to the Second Court Date and completing all other steps required to effect such a disposal prior to the Second Court Date other than the transfer of shares held by the Company in the subsidiary entities holding the non-African assets to the holders of Bondi Shares at the record date set for the in specie distribution which shall occur immediately following Court approval of the Scheme pursuant to section 411(4)(b) of the Corporations Act.

The Company's non-African assets are held by two wholly owned subsidiaries of the Company, Murphy Uranium and Mount Owen Resources. The following shows the current structure of the Company and its subsidiaries pre-Consolidation:

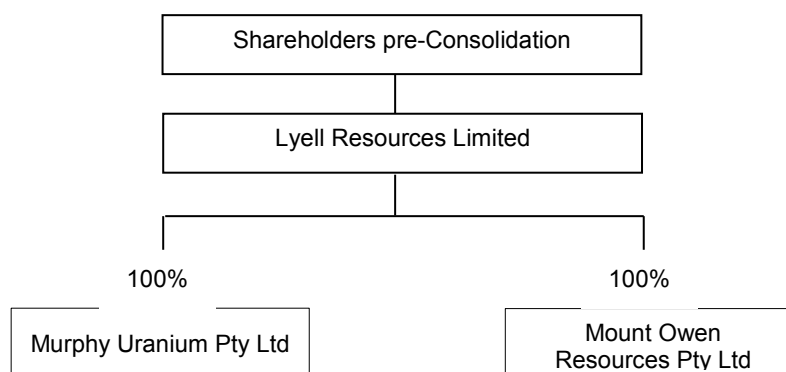


To facilitate the disposal of the Company's non-African assets, the Company will:

- (i) enter into an agreement to sell all of its shareholding in Murphy Uranium and all of its shareholding in Mount Owen Resources to Lyell Resources in consideration for the issue to the Company of 12,041,280 shares in Lyell Resources; and
- (ii) then conduct an in specie distribution on a pro rata basis to Shareholders of those 12,041,280 shares held by the Company in Lyell Resources, and the one share in Lyell Resources the Company currently holds, on the basis of one share in Lyell Resources for each 10 Shares held on 14 December 2011 (**Record Date**). Fractional entitlements may arise where Shareholders hold a number of Shares which cannot be evenly divided by ten. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share.

Lyell Resources is an unlisted public company currently wholly owned by the Company.

The following shows the structure of Lyell Resources and its subsidiaries following the in-specie distribution:



(b) **Indicative Timetable**

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

General Meeting	5 December 2011
Company notifies ASX that Shareholders approved the in specie distribution	5 December 2011
Record date to determine entitlements of Shareholders to Lyell Resources Shares under the in specie distribution	14 December 2011
In specie distribution to Shareholders of Lyell Resources Shares	Between 16 December 2011 and 22 December 2011

(c) **Effect of Resolutions 9 and 10 on the Company and Shareholders**

**Effect on the Company**

- (i) The Company will cease to hold any shares in Murphy Uranium and Mount Owen Resources.
- (ii) The Company will hold 12,041,280 Lyell Resources Shares, issued to the Company pursuant to the proposed agreement, in addition to the one Lyell Resources Share currently held by the Company.
- (iii) The Company will undertake an in specie distribution of the 12,041,281 Lyell Resources Shares to the Company's Shareholders in which case the Company will no longer have an ownership interest in any Lyell Resources Shares.

**Effect on Shareholders**

- (i) A Shareholder will own Lyell Resources Shares on the basis of approximately one Lyell Resources Share for every ten Shares held in the Company.
- (ii) For tax consequences, see Section 9(e) of this Explanatory Statement.

(d) **Overseas Shareholders**

Distribution of Lyell Resources Shares to any Shareholder with a registered address outside Australia or New Zealand under the in specie distribution in Resolution 10 will be subject to legal and regulatory requirements in the relevant jurisdictions of those Shareholders.

If the requirements of any such jurisdiction restricts or prohibits the distribution of Lyell Resources Shares as proposed or would impose on the Company an undue obligation or burden, the Lyell Resources Shares to which the relevant overseas Shareholder is entitled will be sold by the Company on their behalf as soon as practicable after the distribution and the Company will then account to the Shareholder for the net proceeds of the sale.

(e) **Tax implications for Shareholders**

The Company is seeking a Class Ruling on behalf of Shareholders to confirm that demerger relief will be available for the demerger. In the absence of this relief the receipt of shares in Lyell Resources would have taxation implications for Shareholders.

Following the demerger a Shareholder's existing tax cost base of Shares in the Company will have to be allocated between the Company and the new shares received as a result of the demerger. The Company will provide information to assist in this allocation following the demerger.

Shareholders should seek their own taxation advice regarding the demerger as individual circumstances may differ.

(f) **ASX Listing Rule 11.2**

ASX Listing Rule 11.2 provides that an entity must seek the approval of its Shareholders before disposing of its main undertaking. As the transaction the subject of Resolution 9 represents the disposal of the Company's main undertaking, Shareholder approval is sought for Company to dispose of the whole of its shareholding in Murphy Uranium and the whole of its shareholding in Mount Owen Resources pursuant to Resolution 9.

(g) **Advantages and disadvantages of the disposal**

Set out below are non-exhaustive lists of what the Directors consider to be the advantages and disadvantages of the transaction the subject of Resolution 9.

**Advantages**

The Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 9:

- (i) the Company can focus on other activities, including mineral sands mining in Madagascar the subject of Resolution 1;
- (ii) the Company will receive 12,041,280 Lyell Resources Shares; and
- (iii) the distribution of the shares in Lyell Resources will result in Shareholders effectively maintaining their exposure to the Company's non-African assets.

**Disadvantages**

The Directors believe that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 9:

- (i) the Company will not be able to participate in or derive any future potential profits from its non-African assets; and
- (ii) the transaction the subject of Resolution 9 may not be consistent with the investment objectives of all Shareholders.

(h) **Director recommendations**

Messrs Richard Valenta, Simon O'Loughlin and Darren Morcombe are directors of each of the Company and Lyell Resources and therefore abstain from making a recommendation to Shareholders. After considering all relevant factors, Mr Creagh O'Connor considers that the transaction the subject of Resolution 9 is in the best interests of the Company and recommends that Shareholders vote in favour of Resolution 9.

The passing of Resolution 9 depends on the passing of Resolutions 1 to 8 (inclusive) and 10, the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act.

**10. RESOLUTION 10: IN SPECIE DISTRIBUTION OF LYELL RESOURCES LIMITED SHARES**

(a) **Sections 256B and 256C Corporations Act**

The transaction the subject of Resolution 9 provides for the issue of 12,041,280 Lyell Resources Shares to the Company. The Board considers it appropriate for the Lyell Resources Shares issued to the Company pursuant to the transaction the subject of Resolution 9, and the one Lyell Resources Share currently held by the Company, to be distributed to the Company's Shareholders (**Distribution**). This distribution requires Shareholder approval and Resolution 10 seeks that approval.



The in specie distribution of the Lyell Resources Shares is a capital reduction. Section 256B (1) of the Corporations Act applies to this distribution. The three requirements in that section are that the reduction:

- (i) is fair and reasonable to the Company's shareholders as a whole;
- (ii) does not materially prejudice the Company's ability to pay its creditors; and
- (iii) is approved by shareholders under section 256C of the Corporations Act.

As to (i), as all Shareholders are being treated equally, the reduction is fair and reasonable.

As to (ii), the capital reduction results in an asset of the Company, the Lyell Resources Shares, being transferred to the Shareholders without the Company receiving any consideration for those shares and results in the value of the assets of the Company being reduced by the fair value of the Lyell Resources Shares. The Board is however of the view that the capital reduction does not materially prejudice the Company's ability to pay its creditors.

As to (iii), the reduction is an equal reduction because in terms of section 256B(2):

- it relates only to ordinary shares;
- it applies to each holder of ordinary shares in the proportion to the number of ordinary shares they hold; and
- the terms of the reduction are the same for each holder of ordinary shares.

If Resolution 10 is passed, the Company will make all necessary arrangements to transfer the Lyell Resources Shares to Shareholders and Shareholders will receive a share certificate in relation to the Lyell Resources Shares.

**(b) Advantages of the Distribution**

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

- (i) each Shareholder will retain an interest in the development of the Company's non-African assets;
- (ii) each Shareholder will be free to either hold or sell their Lyell Resources Shares independently and will not be subject to control over this investment indirectly through the Company; and
- (iii) as it is intended to return the non-African assets to a listed vehicle as quickly as possible (either through the initial public offering of Lyell Resources or other commercial arrangements), each Shareholder will after the listing of Lyell Resources Shares be able to sell their Lyell Resources Shares on market.

**(c) Disadvantages of the Distribution**

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

- (i) there is no guarantee that the Lyell Resources Shares will increase in value (following the Distribution);
- (ii) although it is intended to return the non-African assets to a listed vehicle as quickly as possible, until the listing of Lyell Resources Shares they are likely to be illiquid; and
- (iii) Shareholders may incur additional transaction costs if they wish to dispose of their new investment in Lyell Resources.

(d) **Board of Lyell Resources**

The board of Lyell Resources comprises the following:

**Dr Richard Valenta**

Dr Valenta has 30 years of exploration experience in Australia, Canada, Turkey, Mexico, Brazil, Argentina and other parts of Latin America. Prior to joining Bondi, Dr Valenta was Chief Operating Officer of TSX-listed Fronteer Development, Chief Geoscientist of TSX-listed Aurora Energy Resources, and Central American Exploration Manager for Mount Isa Mines Exploration. Dr Valenta has a proven track record for discovery of high-grade gold, copper-gold and uranium resources and has been directly involved in the greenfield exploration, discovery and development of multi-million ounce gold and world-class uranium resources in the Americas and Asia. He is also Managing Director of Chesser Resources Ltd.

**Mr Simon O'Loughlin**

Simon O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide based medium sized specialist commercial law firm. For many years he has practiced both in Sydney and Adelaide, in the corporate and commercial fields with, in more recent times, a particular focus on the resources sector. He also holds accounting qualifications. Simon is the Chairman of Bondi Mining Ltd, Avenue Resources Ltd and Kibaran Nickel Ltd and a Non-executive Director of Petrathern Limited, Probiomics Limited, Chesser Resources Ltd, WCP Resources Limited, Aura Energy Limited and Strzelecki Metals Ltd. Simon has extensive experience and involvement with companies in the small industrial and resources sectors. He has also been involved in the listing and back-door listing of numerous companies on the ASX and National Stock Exchanges. He is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).

**Mr Darren Morcombe**

Darren Morcombe has more than 20 years of professional experience in a variety of natural resource roles in Australia, United States and Switzerland. Commencing with over 10 years in senior roles with Normandy Mining and Newmont Mining Corp. in the areas of financing, treasury, mergers and acquisitions. He is the founder of Springtide Capital, which is a private investment company specialising in investments in microcap listed companies, venture capital and resource orientated companies. He was Chairman and major shareholder of a refining and gold financing company European Gold Refineries SA, Europe's largest gold refinery, and Director of AGR Matthey, one of the largest gold refineries in the world. He retired from this position in 2008 and these businesses are now owned by Newmont Mining Corporation. Darren is a major shareholder of several public companies and also the Chairman of Foran Mining Corporation listed in Canada.

**Mr David Esser**

David brings over 16 years of exploration experience to Bondi, mostly spent with Placer Pacific in Western Australia's Eastern Goldfields, Northeast Queensland, Southeast Queensland, the Mount Isa region and Papua New Guinea. David led the exploration teams that were responsible for the discovery of the Mt Dimer gold orebody near Southern Cross WA, and the Kulthor copper-gold discovery near Osborne in the Mount Isa region, and was also part of teams that successfully expanded the resources of Porgera, Kidston, Misima, Osborne and Granny Smith. He has a wealth of experience in management of exploration programs from greenfields to resource stage, as well as a solid background in safety, environment, and liaison with local stakeholders and JV partners.

(e) **Duty**

The Company's Shareholders will not bear any duty on the transfer of Lyell Resources Shares to them pursuant to the Distribution.

(f) **Lodgement with ASIC**

The Company has lodged with the ASIC a copy of the Notice and this Explanatory Statement in accordance with section 256C(5) of the Corporations Act.

(g) **Directors' Interests**

Set out below is a table which indicates the Shares held by the Directors prior to the Distribution and the number of Lyell Resources Shares they are likely to receive if Resolution 10 is passed:

Director	Bondi Shares	Approximate number of Lyell Resources Shares each Director will receive if Resolution 10 is passed
Richard Valenta	1,358,549	135,855
Simon O'Loughlin	800,000	80,000
Creagh O'Connor	1,755,556	175,556
Darren Morcombe	12,742,500	1,274,250

Directors' remuneration for the year ended 30 June 2011 was as follows:

Director	Salary	Fees	Super	Options	Total
Richard Valenta	\$140,000	-	\$24,300	\$41,240	\$205,540
Simon O'Loughlin	-	\$35,000	\$5,850	\$12,372	\$53,222
Creagh O'Connor	-	\$35,000	\$5,850	\$12,372	\$53,222
Darren Morcombe	-	\$35,000	\$3,332	\$12,372	\$50,704

(h) **Rights Attaching to Lyell Resources Shares**

The Lyell Resources Shares distributed to Shareholders will rank equally with all other fully paid ordinary shares in the capital of Lyell Resources on issue. Full details of the rights attaching to Lyell Resources Shares are set out in Lyell Resources' constitution. Those rights are summarised in annexure E to this Explanatory Statement.

(i) **Lyell Resources Risk Factors**

Lyell Resources Shares should be regarded as speculative and carry no guarantee of payment of dividends, return of capital or of their market value. There are various risks factors to which Lyell Resources is subject and a list of material risk factors is set out in annexure F to this Explanatory Statement.

(j) **Director recommendations**

Messrs Richard Valenta, Simon O'Loughlin and Darren Morcombe are directors of each of the Company and Lyell Resources and therefore abstain from making a recommendation to Shareholders. After considering all relevant factors, Mr Creagh O'Connor considers that the in specie distribution is in the best interests of the Company and recommends that Shareholders vote in favour of Resolution 10.

The passing of Resolution 10 depends on the passing of Resolutions 1 to 9 (inclusive), the satisfaction or waiver of the conditions precedent to the Acquisition and the Court approving the Scheme pursuant to section 411(4)(b) of the Corporations Act.

## 11. GLOSSARY

In this Explanatory Statement and Notice of General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

**\$** means Australian dollars.

**Acquisition** means the acquisition by the Company of 100% of the issued share capital in WTR pursuant to the Proposed Transaction.

**Annexure** means an annexure to this Explanatory Statement.

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

**Associate** has the meaning given to it by Division 2 of Part 1.2 of the Corporations Act.

**ASX** means ASX Limited ACN 008 624 691.

**ASX Listing Rules** or **Listing Rules** means the official listing rules of ASX.

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

**Boulle Titanium** means Boulle Titanium Limited.

**Business Day** has the meaning given to that term in the Listing Rules.

**Capital Raising** means the offer by the Company to allot and issue up to 11,111,112 Shares (on a post-Consolidation basis) at an issue price of \$0.27 per Share to raise up to a total of \$3,000,000, as proposed by Resolution 5.

**Company** means Bondi Mining Limited ACN 120 723 426.

**Completion** means completion of the Acquisition following satisfaction (or waiver, if applicable) of the conditions precedent to the Acquisition.

**Consolidation** means the consolidation of the issued securities of the Company, existing at 15 December 2011 on a one-for-four basis (rounded up to the nearest whole number), which consolidation is proposed to become effective on the date of, and immediately prior to, Completion of the Acquisition.

**Constitution** means the Company's constitution.

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

**Current Options** means 5,235,000 Options.

**Director** means a director of the Company.

**Explanatory Statement** means this Explanatory Statement that accompanies and forms part of the Notice.

**Geocraft** means GEOCraft Pty Ltd.

**Implementation Deed** means the document of that name dated 26 August 2011 between the Company and WTR (as amended by Deed of Amendment dated on or about 6 October 2011).

**Independent Expert** means InterFinancial Corporate Finance Limited.

**Independent Expert's Report** means the report of the Independent Expert in annexure B to this Explanatory Statement.

**JORC** means the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

**JORC Code** means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

**Lyell Resources** means Lyell Resources Limited ACN 153 969 861.

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

**Meeting** means the general meeting of the Shareholders to be held on 5 December 2011 (or any adjournment of that meeting) convened by the Notice.

**Mount Owen Resources** means Mount Owen Resources Pty Ltd ACN 147 466 975.

**Mt** means million tonnes.

**Murphy Uranium** means Murphy Uranium Pty Ltd ACN 126 180 818.

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

**Option** means an option to subscribe for an unissued Share.

**Optionholder** means the holder of an Option.

**Proposed Transaction** means the proposed transaction referred to in Section 1(a) of this Explanatory Statement.

**Prospectus** means a prospectus to be issued by the Company and lodged in respect of the Capital Raising.

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

**Related Bodies Corporate** has the same meaning as in section 50 of the Corporations Act.

**Resolution** means a resolution set out in the Notice of General Meeting.

**Scheme** means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act to be made between WTR and its eligible shareholders referred to in Section 1(b) of this Explanatory Statement.

**Section** means a section of this Explanatory Statement.

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

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

**THM** means total heavy mineral.

**TZMI** means TZ Minerals International Pty Ltd.

**Warrant** means an option to subscribe for an unissued Share.

**WTR** means World Titanium Resources Limited ACN 061 662 011.

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

**WTR Shareholders** means a holder of a WTR Share.

**WTR Option** means an option to subscribe for an unissued WTR Share.

**WTR Optionholder** means the holder of a WTR Option.

**WTR Warrant** means an option to subscribe for an unissued WTR Share.

## **ANNEXURE A – UNAUDITED PRO FORMA BALANCE SHEET**

This section contains a summary of the historical and pro forma financial information regarding Bondi Mining Ltd (Bondi) and World Titanium Resources Ltd (World Titanium) and the pro forma Group (being the combined Bondi and World Titanium Group). The financial information should be read in conjunction with the summary of significant accounting policies below and other information contained in this Explanatory Statement.

- the audited balance sheet of Bondi as a single entity as at 30 June 2011.
- the unaudited balance sheet of World Titanium as at 30 June 2011.
- Pro forma balance sheets of the combined Group (Bondi and World Titanium) based on the audited balance sheet of Bondi at 30 June 2011 and the unaudited balance sheet of World Titanium at 30 June 2011, adjusted to include the demerger of Lyell Resources Ltd Group, acquisitions of World Titanium, capital raised and other adjustments as summarised below at note (a).

The financial information has been prepared in accordance with the measurement and recognition principles of the applicable Accounting Standards and other mandatory professional reporting requirements in Australia. It is presented in an abbreviated format and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports that are prepared in accordance with the Corporations Act.

### **Actual and Pro forma Balance Sheets**

The audited balance sheet of Bondi at 30 June 2011 and the unaudited balance sheet of World Titanium at 30 June 2011 and the pro forma balance sheets of the combined Group (Bondi and World Titanium) are set out below. The pro forma balance sheets assume completion of the acquisition and certain other transactions referred to in this Explanatory Statement. Selected notes supporting this information are also included below.

# **ANNEXURE A – UNAUDITED PRO FORMA BALANCE SHEET**

	Notes	Actual		Pro Forma Group
		30-Jun-11	30-Jun-11	
		(Audited)	(Unaudited)	
		Bondi	World Titanium	
		\$	\$	\$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	1	113,151	6,951,389	9,893,074
Trade and other receivables	2	181,949	307,504	421,077
Other financial assets - term deposit		3,786,978	-	3,786,978
Other current assets		29,578	-	29,578
<b>Total Current Assets</b>		<b>4,111,656</b>	<b>7,258,893</b>	<b>14,130,707</b>
<b>Non-Current Assets</b>				
Trade & other receivables	2	38,000	-	-
Property, plant and equipment		123,186	41,732	164,918
Other investments		-	390,000	390,000
Other receivables		-	523,687	523,687
Exploration & evaluation assets	3	11,954,578	-	720,539
Goodwill	4	-	-	500,000
<b>Total Non-Current Assets</b>		<b>12,115,764</b>	<b>955,419</b>	<b>2,299,144</b>
<b>Total Assets</b>		<b>16,227,420</b>	<b>8,214,312</b>	<b>16,429,851</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	5	73,598	265,251	337,089
Provisions		14,145	-	14,145
<b>Total Current Liabilities</b>		<b>87,743</b>	<b>265,251</b>	<b>351,234</b>
<b>Non- Current Liabilities</b>				
Trade and other payables	5	110,650	16,092	16,092
<b>Total Non- Current Liabilities</b>		<b>110,650</b>	<b>16,092</b>	<b>16,092</b>
<b>Total Liabilities</b>		<b>198,393</b>	<b>281,343</b>	<b>367,326</b>
<b>Net Assets</b>		<b>16,029,027</b>	<b>7,932,969</b>	<b>16,062,525</b>
<b>EQUITY</b>				
Issued Capital	6	22,284,114	12,141,670	20,271,226
Reserves	7	1,098,948	357,938	2,017,988
Accumulated Losses	8	(7,354,035)	(4,566,639)	(6,226,689)
<b>Total Equity</b>		<b>16,029,027</b>	<b>7,932,969</b>	<b>16,062,525</b>



## Notes to Actual and Pro Forma Balance Sheets

### (a) Pro forma Adjustments

- (1) *Demerger of Non-African Assets* - Bondi Mining Limited disposes the wholly owned subsidiaries, Murphy Uranium Pty Ltd and Mount Owen Resources Pty Ltd to a new wholly owned subsidiary, Lyell Resources Ltd by net asset and share transfers and then demerges the Lyell Resources Ltd Group by an in-specie capital distribution of shares and options to pre-consolidation Bondi Mining Ltd shareholders. The value of Bondi's investment in subsidiaries at 30 June 2011 was \$11,965,010. The demerger has been accounted for as returning capital of \$11,435,010 and share premium reserve of \$530,000 to the pre-merger Bondi shareholders.
- (2) *Exercise of World Titanium Resources Ltd Options* - World Titanium Resources Ltd Option holders exercise of 250,000 World Titanium Resources Ltd Options for 250,000 World Titanium Resources Ltd Ordinary Shares for cash consideration of \$25,000, exercise date 12 October 2011.
- (3) *World Titanium issue of options* - World Titanium issue 4,650,000 options to Directors and key contractors on 12 October 2011, resulting in a share based payment expense of \$1,660,050.
- (4) *Share consolidation* - The restructure of Bondi's share capital by way of a consolidation of the issued capital on a 1 for 4 basis. This transaction has no impact on the pro forma balance sheets.
- (5) *Acquisition of World Titanium Resources Ltd* - The acquisition of World Titanium Resources Ltd by the issue of 257,144,545 ordinary shares in Bondi Mining Ltd and the granting of 16,275,000 Unlisted Options in Bondi Mining Ltd to Option holders in accordance with the Implementation Deed and 1,492,050 Warrants in Bondi Mining Ltd in accordance with the Implementation Deed and the Warrant Offer.

For accounting purposes, the acquirer has been identified as World Titanium Resources Ltd and the business combination referred to as a reverse acquisition. Accordingly, the pro forma Group incorporates the assets and liabilities of Bondi Mining Ltd and of World Titanium Resources Ltd as if the Group was headed by World Titanium Resources Ltd. At acquisition date the assets and liabilities of World Titanium Resources Ltd (being the acquirer for accounting purposes) are recorded at their book value and the assets and liabilities of Bondi Mining Ltd (being the acquiree for accounting purposes) are recorded at fair value. Furthermore, for pro forma purposes, the 16,275,000 Unlisted Options and 1,492,050 Warrants in Bondi Mining Ltd have been treated as issued capital for the purpose of determining the notional purchase price of Bondi Mining Ltd.

- (6) *Shares issued under the Prospectus* - As part of Bondi Mining Ltd's re-compliance with Chapters 1 and 2 of the ASX Listing rules, the Company is seeking shareholder approval to conduct a capital raising by offering under a Prospectus up to 15,000,000 Shares at a price of no less than \$0.27 per Share to no less than the number of new investors in the Company required by ASX, to raise \$3,000,000.

The Directors estimate that costs for the preparation and implementation of the Prospectus will be \$180,000 and this estimated cost has been deducted from the capital raising of \$3,000,000.

## 1 Cash and cash equivalents

The movement in cash as reflected in the pro forma balance sheets at 30 June 2011 is shown as follows:

	Notes	\$
Cash at 30 June 2011 – Actual		7,064,540
Pro Form adjustments:		
- Demerger of Non-African assets		(16,466)
- Proceeds from exercise of unlisted options in World Titanium		25,000
- Net proceeds from Prospectus		<u>2,820,000</u>
		<u>9,893,074</u>

## 2 Trade and other receivables - current

	Notes	\$
Trade and other receivables at 30 June 2011 – Actual		489,453
Pro Form adjustments:		
- Demerger of Non-African assets		<u>(68,376)</u>
		<u>421,077</u>

## Trade and other receivables–non current

	Notes	\$
Trade and other receivables at 30 June 2011 – Actual		38,000
Pro Form adjustments:		
- Demerger of Non-African assets		<u>(38,000)</u>
		<u>-</u>

### 3 Exploration and evaluation assets

	Notes	\$
Exploration and evaluation assets at 30 June 2011 – Actual		11,954,578
Pro Form adjustments:		
- Demerger of Non-African assets		(11,954,578)
- Acquisition of Bondi Mining (accounted for as reverse acquisition)	(i)	<u>720,539</u>
		<u>720,539</u>

(i) Represents the estimated fair value of Bondi Mining Ltd's Namibian exploration & evaluation assets.

### 4 Goodwill

	Notes	\$
Goodwill at 30 June 2011 – Actual		-
Pro Form adjustments:		
- Acquisition of Bondi Mining (accounted for as reverse acquisition)	(ii)	<u>500,000</u>
		<u>500,000</u>

(ii) Goodwill represents the estimated fair value of the ASX Listing status of Bondi Mining Ltd

### 5 Trade and other payables - current

	Notes	\$
Trade and other payables at 30 June 2011 – Actual		338,849
Pro Form adjustments:		
- Demerger of Non-African assets		<u>(1,760)</u>
		<u>337,089</u>

#### Trade and other payables –non current

	Notes	\$
Trade and other payables at 30 June 2011 – Actual		126,742
Pro Form adjustments:		
- Demerger of Non-African assets		<u>(110,650)</u>
		<u>16,092</u>

## 6 Issued capital

The movement in contributed equity as reflected in the pro forma balance sheets at 30 June 2011 is shown below:

	Notes	Issued ordinary shares Number	Options and Warrants over Shares Number	Group \$'000
Actual – 30 June 2011 - Bondi	6(a)	120,412,807	5,235,000	22,284,114
- Share and option reconstruction	6(b)	30,103,202	1,308,750	-
- Exercise of options in World Titanium	6(c)	-	-	25,000
- World Titanium	6(d)	257,144,545	17,767,050	12,141,670
- Reverse acquisition – Bondi	6(e)	-	-	5,284,556
- Prospectus		11,111,112	-	3,000,000
- Transaction costs		-	-	(180,000)
		298,358,859	19,075,800	20,271,226

### Notes – Issued capital

- (a) Bondi Issued Capital – As at 30 June 2011, Bondi had on issue 120,412,807 fully paid ordinary shares and 5,235,000 options. The shares and options are to be consolidated on a 1 for 4 basis, resulting in Bondi having 30,103,202 shares and 1,308,750 options on issue immediately prior to the acquisition of World Titanium.
- (b) World Titanium – Bondi is to acquire World Titanium in exchange for the issue of 257,144,545 ordinary shares and the granting of 16,275,000 Unlisted Options and 1,492,050 Warrants. The acquisition has been accounted for as a reverse acquisition in accordance with ASSB3 “Business Combinations”.
- (c) Reverse Acquisition – Bondi – The pro forma adjustment reflect the deemed issue of shares to acquire Bondi. The fair value of Bondi’s net assets at 30 June 2011, per the audited balance sheet, and after the demerger of the Non-African assets, was \$4,064,017 and the fair value of the deemed consideration was assessed at \$5,284,556. The difference between the deemed purchase price (\$5,284,556) and fair value of net assets acquired (\$4,064,017) represents \$500,000 as goodwill for the estimated fair value of the listing status and the balance of \$720,539 is the estimated fair value of exploration and evaluation assets.

## 7 Accumulated losses

The movement in accumulated losses as reflected in the pro forma balance sheets at 30 June 2011 is shown below:

	Notes	\$
Accumulated losses at 30 June 2011 – Actual		(11,920,674)
Pro Form adjustments:		
- Share-based expense on issue of 4,650,000 option in World Titanium		(1,660,050)
- Reverse acquisition – Bondi		<u>7,354,035</u>
		<u>(6,226,689)</u>

## 8 Reserves

The movement in reserves as reflected in the pro forma balance sheets at 30 June 2011 is shown below:

	Notes	\$
Reserves at 30 June 2011 – Actual		1,456,886
Pro Form adjustments:		
- Demerger Non-African assets		(530,000)
- Share-based expense on issue of 4,650,000 option in World Titanium		1,660,050
- Reverse acquisition – Bondi		<u>(568,948)</u>
		<u>2,017,988</u>

## Summary of significant accounting policies

The significant accounting policies that have been adopted in the preparation of the financial information are summarised below.

### (a) Basis of preparation

The financial information has been prepared in accordance with the recognition and measurement (but not all the disclosure) requirement of applicable Australian Accounting Standards and other mandatory financial reporting requirements in Australia, using the accrual basis of accounting including the historical cost convention and the going concern assumption.

The financial information is presented in Australian dollars.

As noted the financial information has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

**(b) Principles of consolidation and reverse acquisition accounting**

The purchase method of accounting is used to account for business combinations (acquisitions). Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

For all business combinations an acquirer is identified as the entity that obtains control of the combining entities. The acquirer for accounting purposes need not be the legal parent entity. In certain situations, the subsidiary can be the acquirer where the relevant factors include that its shareholders (pre-acquisition) have control post-acquisition. This is referred to as a reverse acquisition. The Group has identified a reverse acquisition, such that Bondi is the legal parent entity of the Group and presents consolidated financial information but World Titanium, which is a legal subsidiary of Bondi, is deemed to be the accounting parent of the Group.

Accordingly, the pro forma group financial information incorporates the assets and liabilities of Bondi and World titanium as if the Group were headed by World Titanium. At acquisition date, the assets and liabilities of Bondi (the acquiree for accounting purposes) are recorded at fair value while assets and liabilities of World titanium (the acquirer for accounting purposes) are recorded at their book value.

**(c) Exploration and evaluation expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

**(d) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value its use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **ANNEXURE B – INDEPENDENT EXPERT’S REPORT**



**InterFinancial**

MERGERS AND ACQUISITIONS

achieve more

## Bondi Mining Limited

October 2011



### *Independent Expert Report*

**CLAIRFIELD  
PARTNERS**

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Asia Pacific

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## InterFinancial Corporate Finance Limited ACN 136 962 966 Financial Services Guide

### About us

InterFinancial Corporate Finance Limited (**InterFinancial**, **IFL** or **we** or **us** or **our**) (Australian Financial Services Licence 341675) has been engaged by Bondi Mining Limited (**Bondi**) to provide an independent expert's report (the **Report**). The purpose of the Report is to provide guidance to the board and shareholders of Bondi (**Shareholders**).

The *Corporations Act 2001* (**Corporations Act**) requires us to provide this Financial Services Guide (**FSG**) in connection with the attached Report prepared for Bondi. You are not the party who engaged us to prepare this Report and we are not acting for any person other than Bondi. This FSG provides important information designed to assist Shareholders in forming their views of the Scheme and in understanding any general financial advice provided by IFL in this Report. Our Report is not intended to comprise personal retail financial product advice to retail investors or market-related advice to retail investors. This FSG contains information about our engagement by the directors of Bondi to prepare this Report in connection with the Scheme (**Engagement**), the financial services we are authorised to provide, the remuneration we (and any other relevant parties) may receive in connection with the Engagement, and details of our internal and external dispute resolution systems and how these may be accessed.

### Financial services we are authorised to provide

IFL, the holder of Australian Financial Services Licence (**AFSL**) number 341675, is responsible to you for the services provided under this FSG. Our Australian Financial Services Licence authorises us to provide the following services to both retail and wholesale clients, financial product advice in relation to securities, and government debentures, stocks and bonds, underwriting an issue of securities and dealing in a financial product by arranging for another person to apply for, acquire, vary or dispose of the abovementioned financial products.

### General financial product advice

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. Where the advice relates to the application for or acquisition of a financial product, you should also obtain and read carefully the relevant offer document or explanatory memorandum provided by the issuer or seller of the financial product before making a decision regarding the application for or acquisition of the financial product.

### Remuneration, commissions and other benefits

IFL charges fees for its services, and will receive a fee of \$55,000 (excluding GST) for its work on this Report. These fees have been agreed on, and will be paid solely by Bondi, which has engaged our services for the purpose of providing this Report. IFL may seek reimbursement of any out of pocket expenses incurred in providing these services. Our advisers are directors and employees of IFL who are paid salaries and dividends by IFL, and may also receive bonuses and other benefits from IFL. Our advisers may alternatively be paid by means of commission determined by a percentage of revenue written by the adviser.

### Associations and relationships

Other than as set out in this FSG or this Report, IFL has no association or relationship with any person who might reasonably be expected to be capable of influencing them in providing advice under the Engagement. IFL, its officers and employees and other related parties have not and will not receive, whether directly or indirectly, any commission, fees, or benefits, except for the fees to be paid to IFL for services rendered in producing this Report. IFL, its directors and executives do not have an interest in securities, directly or indirectly, which are the subject of this Report. IFL may perform paid services in the ordinary course of business for entities, which are the subject of this Report.

### Risks associated with our advice

This FSG is provided in connection with the attached Report relating to the Scheme and in particular the Reverse Takeover proposed within the Reverse Takeover of the Scheme. The Report comprises general product advice and does not comprise personal retail financial product advice to retail investors or market-related advice to retail investors. The Report is an expression of IFL's opinion as to whether or not the Reverse Takeover within the Scheme is fair and reasonable. However, IFL's opinion should not be construed as a recommendation as to whether or not to approve the acquisition of World Titanium Resources Ltd via the Scheme. Approval or rejection of the resolutions proposed to Shareholders is a matter for individual shareholders based on their own circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in any doubt as to the action they should take in relation to the Scheme should consult their own independent professional advisers.

Further information on the risks, assumptions and qualifications associated with the advice is contained within the Report.

### Compensation arrangements

The law requires IFL to have arrangements in place to compensate certain persons for loss or damage they suffer from certain breaches of the Corporations Act by IFL or its representatives. IFL has internal compensation arrangements as well as professional indemnity insurance that satisfy these requirements.

### Complaints

As an Australian Financial Services Licence holder, we are required to have an internal complaints-handling mechanism. All complaints must be addressed to us in writing at Level 3, 145 Eagle Street Brisbane, Queensland, 4000. You may contact us on P: (07) 3218 9100, F: 07 3218 9199, E: pkeehan@interfinancial.com.au. If we are not able to resolve your complaint to your satisfaction within 45 days of first lodging it with us, you are entitled to have your matter referred to the Financial Ombudsman Service (**FOS**). You will not be charged for using the FOS service. To contact the FOS:

GPO Box 3  
MELBOURNE, VIC 3001  
Tel: 1300 780 808  
Fax: (03) 9613 6399

### Privacy & use of information

We do not collect personal information on individual clients and are bound by the IFL Privacy Policy in the way that it governs personal information collected on clients. If you have any questions on privacy please contact us on the details above.



7 October 2011

The Directors  
Bondi Mining Limited  
96 Stephens Rd  
South Brisbane QLD 4101

Dear Directors

## INDEPENDENT EXPERT REPORT - MERGER WITH WORLD TITANIUM RESOURCES

### Introduction

On 29 August 2011, Bondi Mining Limited (**Bondi** or the **Company**) announced that by scheme of arrangement under Part 5.1 of the Corporations Act 2001 (the **Scheme**), it would acquire 100% of World Titanium Resources Limited (**WTR**). By separate private agreement or pursuant to their terms, Bondi will acquire all of WTR's current options and warrants not exercised by the record date. WTR will become a wholly owned subsidiary of Bondi. WTR shareholders will own approximately 89.5% of Bondi, the merged company (the **Merged Company**). Bondi's acquisition of the larger company WTR via the Scheme is a reverse takeover (**Reverse Takeover**).

The Scheme agreed between Bondi and WTR has the following elements:

- Bondi will transfer its existing Australian uranium and copper exploration assets to a separate company, and Bondi's current Shareholders will have shares in this separate company in the same proportions as their shareholdings in Bondi;
- the African exploration assets will remain in Bondi;
- Bondi shares will be consolidated on the basis of 1 (one) new share for every 4 (four) shares currently held (the **Consolidation** or **Consolidated Bondi share**);
- Bondi will offer 3.5 (three and a half) new Consolidated Bondi shares for each WTR share;
- The shareholders of Bondi (the **Shareholders**) and WTR will consider matters relating to the Scheme in separate general meetings;
- With shareholder approvals relating to the Scheme, WTR will apply for court approval of the Scheme;
- With court approval secured, implementation of the Scheme will proceed and on completion, Bondi will re-list under Chapters 1 and 2 of the Australian Securities Exchange (**ASX**) listing rules; and
- As part of the re-listing process, Bondi will issue a prospectus seeking to raise AUD3 million to be applied to working capital. It is intended that the name of the Company will be changed to World Titanium Resources Limited.

Bondi has engaged IFL to provide an independent expert report (**Report**), which will as part of the Explanatory Memorandum or Scheme Booklet, accompany the Notice of Meeting convened to seek Shareholder approval for resolutions relating to the Scheme.

### Summary of Opinion

In our opinion, the Reverse Takeover is "fair and reasonable" to the Shareholders and as a result, the Scheme is in the best interests of the Bondi Shareholders.

## Fairness

In forming our opinion in relation to the fairness of the Scheme and Reverse Takeover, we have valued each component of the proposal being the fair market value of a Bondi share and the fair market value of the WTR consideration.

**Table 1: Fair Value**

	Ref	Unit	Low Value	High Value
Fair Market Value of a Bondi share	4.4	\$	0.034	0.036
Consolidation ratio (4 Bondi Shares for 1 Consolidated Bondi share)	1.1		4.0	4.0
<b>Fair Market Value of a Bondi share (post consolidation)</b>		<b>\$</b>	<b>0.135</b>	<b>0.142</b>
<b>Fair Value of WTR Share (after 3.5 for 1 conversion)</b>	6.7	<b>\$</b>	<b>0.147</b>	<b>0.238</b>
<b>Premium / (Discount)</b>		<b>\$</b>	<b>0.012</b>	<b>0.095</b>

Source: IFL Analysis

InterFinancial have assessed that the fair market value of a Consolidated Bondi share is between \$0.135 and \$0.142 per share. By comparison, the assessed value of the consideration provided is between \$0.147 and \$0.238 per share. As the consideration is greater than the fair market value of a Consolidated Bondi share we have determined that the transaction is fair.

## Reasonableness

As the Scheme and Reverse Takeover is fair, it is also reasonable. To assist Shareholders in their decision making process we have detailed the following:

- The likely advantages and disadvantages associated with the Scheme and Reverse Takeover; and
- Alternatives, including the position of Shareholders if the WTR Reverse Takeover does not proceed.

## Advantages of Approving the Scheme and Reverse Takeover

Set out below is a summary of the key advantages to the Shareholders of approving the Scheme and Reverse Takeover and components of the Scheme that facilitate the Reverse Takeover.

### Achieving a higher underlying value per share

The underlying value for the Bondi shares offered to WTR shareholders is less than the underlying value of the WTR shares that are acquired. Effectively, Bondi Shareholders are acquiring WTR at a price less than its assessed underlying value.

### Access to an advanced development project with the Code for Reporting of Mineral Resources and Ore Reserves (JORC) Resources, including measured resources

A key strategy of Bondi management has been to purchase a project that could be brought to final investment decision within a relatively short time frame and at relatively low cost. The Scheme and Reverse Takeover by WTR achieves this strategy. The Toliara project had a near complete bankable feasibility study in 2009, when Exxaro Ltd (**Exarro**) (major resource company with option to acquire Toliara and which had earned the right to exercise that option by expenditure of more than USD17 million) terminated its option to acquire Toliara. To date Toliara has had approximately USD20 million spent on defining the resources and undertaking beneficiation test work and completing feasibility studies.

### Major shareholder with a track record in the commodity and the region

Through Boule Titanium Limited (**Boule**), the Boule Mining Group has 29.8% interest in WTR and would have 26.5% shareholding in Bondi after the Scheme and Reverse Takeover. The Boule Mining Group has a successful track record in the development and operation of mines around the world, particularly in Africa and including heavy mineral mines. The Boule Mining Group was responsible for the revival of Sierra Rutile mineral sands mine, post the civil war in Sierra Leone.

### Retain an interest in Australian exploration assets and acquire an interest in Toliara

The Scheme and Reverse Takeover terms provide for the demerger of Bondi's Australian assets into a new company which will have the same shareholder structure as Bondi. It is the intention to distribute these new shares

to Bondi Shareholders. This allows Bondi Shareholders to retain their interests in the Australian exploration assets and in addition have an interest in the Toliara Sands Project.

### **Improved Future Capital Raising prospects**

The Merged Company is likely to have a market capitalisation of approximately AUD77.5 million. While there is no guarantee that this market capitalisation will be achieved this enlarged size places the Company in a wider investment market than a company with a market capitalisation of less than AUD20 million, which is Bondi's current status.

Raising capital for a project that is undertaking bankable feasibility studies and approaching final investment decision to undertake a cash flow producing venture, is a relatively easier task than raising capital for early stage exploration where no JORC Resource is known.

## **Disadvantages**

### **Dilution of interest**

The Scheme Reverse Takeover of WTR will result in a dilution of interest of existing Shareholders in Bondi from 100% to 10.48%.

### **Addition of a Shareholder with Influence**

If the Scheme and Reverse Takeover is approved, Boule will hold 26.56% of the issued ordinary shares in Bondi. This is likely to provide Boule with the ability to influence decisions of the Company and potentially control future decision making.

### **Country risk**

Since July 2009, the government of Madagascar has been regarded as illegitimate. International development funding to the Malagasy government has ceased except for urgent humanitarian purposes. The government agencies responsible for the regulation and oversight of mining permits are underfunded and under-resourced potentially resulting in delays in permitting. Despite the political instability several large mining projects in the country have continued. WTR has in-country management and has continued operating without undue interruption.

### **Debt funding for project**

Currently, the international development finance agencies and banks are not providing funding to the Malagasy government. In these circumstances, it is unlikely that a mid-sized resources company could secure debt funding for the development of Toliara. It is our understanding that it is the intention of the Merged Company to raise equity funds for Toliara's development if the final investment decision is positive, following the completion of a bankable feasibility study.

## **Other Considerations**

### **Availability of alternative transaction**

Bondi has been actively seeking a resource and acquisition target such as WTR and its major asset, the Toliara Mineral Sands Project (**Toliara**). Bondi has signed a binding agreement to implement the Scheme and Reverse Takeover subject to Shareholder approval. This is an exclusive agreement and Bondi will not solicit any other offer during this period of the Scheme and Reverse Takeover. The Bondi Directors unanimously recommend the Scheme and Reverse Takeover as do the Directors of WTR. An alternative offer to the Scheme and Reverse Takeover is unlikely to emerge in these circumstances.

## **Shareholder circumstances**

IFL has not considered the effect of the Scheme and Reverse Takeover on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Scheme and Reverse Takeover from that adopted in this Report. Accordingly, individuals may reach different conclusions as to whether or not the Scheme and Reverse Takeover is in their individual best interests. The decision of an individual Shareholder in relation to the Scheme and Reverse Takeover may be influenced by their particular circumstances (including their taxation position) and accordingly, Shareholders are advised to seek their own independent advice.

### **Other Matters**

This Report has been requested by the Bondi Directors to assist the Shareholders in their decision to accept or reject the Scheme and Reverse Takeover.

This Report should not be used for any other purpose and IFL does not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

IFL acknowledges that this Report may be lodged by the Directors with the ASX.

## Conclusion

Based on the above, we have concluded that the Scheme and Reverse Takeover in the context of the Scheme, is “fair” having assessed the consideration paid is greater than the value of a Consolidated Bondi share, and as a result of being fair the transaction is also “reasonable”.

Yours faithfully

**InterFinancial Corporate Finance Limited**



Brett Plant

Director

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## Glossary of Terms

**Table 2: Glossary**

Term	Meaning
Ausenco	Ausenco Limited
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
BMG	Boulle Mining Group
Bondi Namibia	Bondi Mining Namibia (Pty) Ltd
Bondi or Company	Bondi Mining Limited
Boulle	Boulle Titanium Limited
CAPM	Capital Asset Pricing Model - is used to determine a theoretically appropriate required rate of return on equity invested in a project, company or asset
Corporations Act	Corporations Act 2001
Consolidation or Consolidated Bondi share	Bondi shares will be consolidated on the basis of 1 (one) new share for every 4 (four) shares currently held
DCF	Discounted Cash Flow
Directors	Directors of Bondi
Discount Rate	The rate used in a DCF analysis and is generally the appropriate cost of capital for a particular project, company or asset and may incorporate judgments of the uncertainty (risk) associated with the future
Discounted Cash Flow Methodology	Describes the method of valuing a project, company, or asset using the concept of the time value of money. All future cash flows are estimated and discounted to give their present values by applying a
EBIT multiple	The ratio of Enterprise Value: Earnings Before Interest and Tax
EBITDA multiple	The ratio Enterprise Value: Earnings Before Interest Tax Depreciation and Amortisation
Engagement	Our engagement by the Directors of Bondi to prepare this Report in connection with the Scheme and Reverse Takeover
Enterprise Value	The total value of the business and is equal to Debt + Equity
EPCM	Engineering, Procurement, Construction, Management
Exxaro	Exxaro Resources Limited
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial Year
IFL or we or us or our	InterFinancial Corporate Finance Limited
Ilmanite	A titanium and iron oxide mineral
JORC Code	The Code for Reporting of Mineral Resources and Ore Reserves
JV	Joint Venture
Merged Company	The combined company post-Scheme and Reverse Takeover where WTR shareholders will own approximately 89.5% of Bondi
Monazite	A rare earth, radioactive mineral.
NPV	Net Present Value
NRV	Net Realisable Value
Projections	Projections from TZMI's modelling of 19 years of production beginning in FY2014
Option	A call option to purchase a share in a company
QMM	QIT Madagascar Minerals
Report	This independent expert's report





Reverse Takeover Scheme	Bondi's offer of 3.5 of its Consolidated Schemes for 1 World Titanium Resources Limited Shares
Shareholders	All of the components combined in the Reverse Takeover constitute the Scheme of Arrangement
Titanium dioxide	Shareholders of Bondi
Toliara	The composition of white pigment. Titanium dioxide containing minerals are mined to produce pigment.
TZMI	The Toliara Mineral Sands Project
WACC	TZ International Minerals Pty Ltd
WTR	Weighted average cost of capital
Zircon	World Titanium Resources Limited
	A zirconium mineral

Source: IFL



# 1. Outline of the Reverse Takeover Proposal

## 1.1 Introduction and Background

As announced to the ASX on 29 August 2011, Bondi has entered into an implementation agreement to conditionally acquire WTR, an Australian unlisted public company, via a scheme of arrangement under Part 5.1 of the Corporations Act 2001 (Cth) (**Corporations Act**). The ASX has confirmed that Bondi will be required to re-comply with Chapters 1 and 2 of the Listing Rules as a result of the Scheme and the Reverse Takeover.

Bondi's offer of 3.5 of its Consolidated Bondi shares for each WTR share is a Reverse Takeover within the Scheme and shareholder approval is required in these circumstances. After the Reverse Takeover and re-listing of Bondi under Chapters 1 and 2 with the associated Prospectus and placement, WTR shareholders will hold 89.5% of the issued (undiluted) Bondi share capital of 287.25 million shares. Specifically, Boule Titanium Limited (WTR's largest shareholder) will hold 26.56%. WTR may appoint up to eight directors to the Merged Company, and Bondi may appoint one. These components of the Scheme will result in a change of control, and an issue of greater than 20% of Bondi capital to a Shareholder, for which Shareholder approval is required.

Further, the directors of WTR, except Wayne Malouf, Goonodeo Soo Kun and Ian Ransome are WTR shareholders and will be issued shares via the Reverse Takeover. Directors Davenport, Malouf, Sookun and Ransome will become directors of Bondi under the Scheme and Reverse Takeover. All WTR Directors who are also shareholders are considered to be related parties. The issue of shares, via the Scheme and Reverse Takeover, to related parties will be on the same terms as to the unrelated parties.

## 1.2 Key Steps and Conditions of the Reverse Takeover

The Scheme agreed between Bondi and WTR has the following elements:

- Bondi will transfer its existing Australian uranium and copper exploration assets to a separate company (to be owned by Bondi Shareholders), with the African exploration assets remaining in Bondi;
- Bondi shares will be consolidated on the basis of 1 (one) new share for every 4 (four) shares currently held;
- Bondi will offer 3.5 (three and a half) new Consolidated Bondi shares for each WTR share;
- Bondi will issue new warrants/options to WTR warrant holders on the same 3.5:1 basis as for fully paid shares;
- The shareholders of both companies will consider the Scheme and its components in separate general meetings;
- With shareholder approvals for the Scheme, WTR will apply for court approval of the Scheme;
- With court approval secured, implementation of the Scheme will proceed and on completion, Bondi will re-list under Chapters 1 and 2 of the ASX listing rules; and
- As part of the re-listing process, Bondi will issue a prospectus seeking to raise \$3 million, at an issue price of not less than \$0.27 per share, to be applied to working capital.

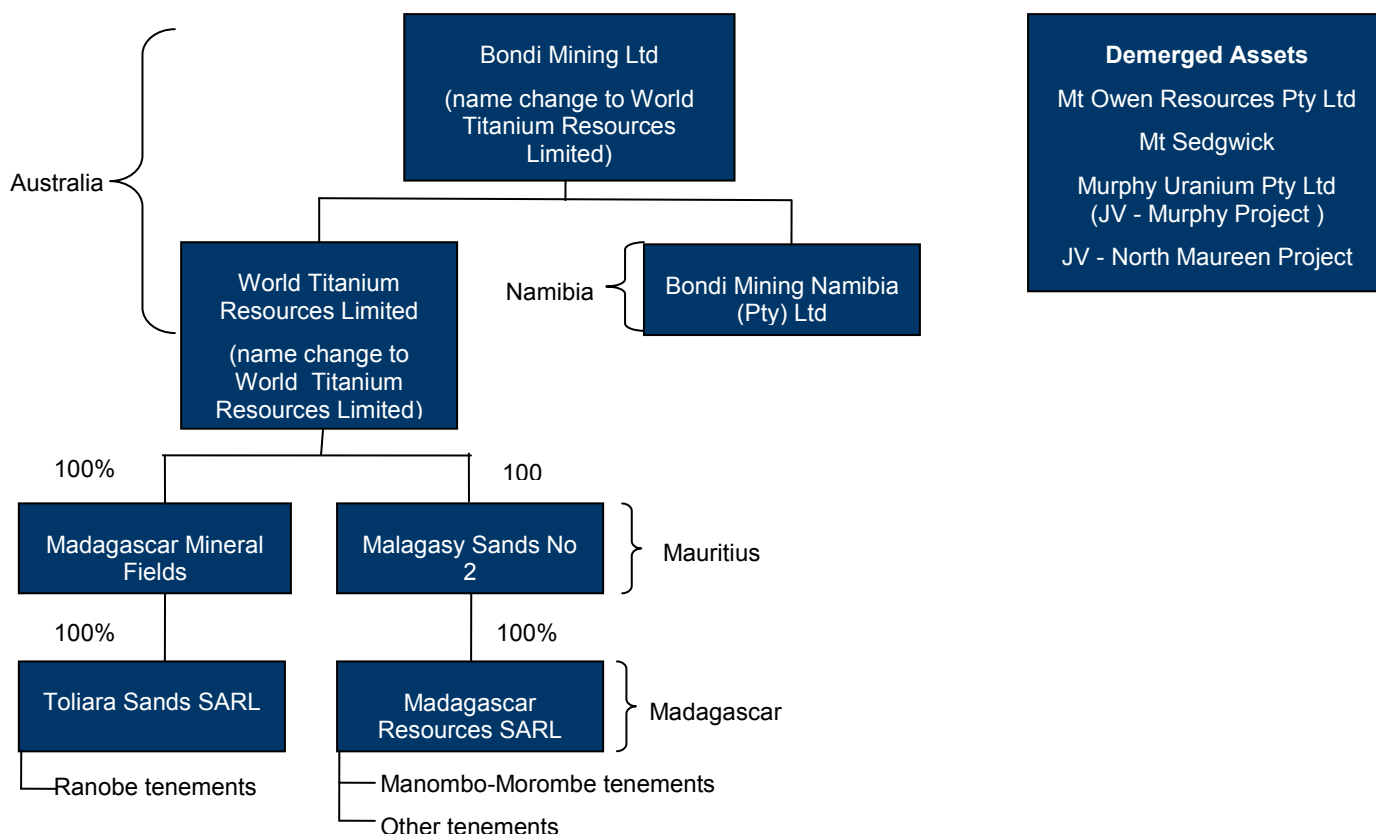
## 1.3 Reverse Takeover and Scheme Outcome

Should the Shareholders and the Australian courts approve the Scheme, the Merged Company of Bondi and WTR (which will assume the name of World Titanium Resources Limited) will have consolidated and restructured capital, expanded in market capitalisation by the acquisition of the Malagasy heavy mineral sands assets. The Merged Company will be focussed on African assets:- heavy minerals titanium dioxide feedstocks and zircon in Madagascar; and base and precious metals exploration in Namibia.

The Merged Company will have sufficient cash to advance the bankable feasibility study on Toliara and to undertake exploration in Namibia. The Australian exploration assets will have been demerged into a separate company owned by Bondi Shareholders, such that the Shareholders retain an ongoing interest in these assets. The plans for that Merged Company are beyond the scope of this Report.

Control of the restructured company will be by former WTR shareholders, of which the largest with 26.6%, is Boule Titanium Ltd, part of the global Boule Mining Group, which has a successful track record of operating other heavy mineral mines in Sierra Leone and is assessing mining of copper-cobalt tailings in the Democratic Republic of Congo. A new board will be appointed according to the Scheme and Reverse Takeover with up to eight directors appointed by WTR. It is expected the Merged Company's headquarters will be in Perth, the current head office of WTR.

**Figure 1: Post - Scheme Corporate Structure**



Source: Bondi

Following the Reverse Takeover, the Merged Company will have 287,247,747 fully paid ordinary shares on issue. Bondi Shareholders will hold 30,103,202 fully paid ordinary shares representing 10.48% or 10.76% on a fully diluted basis of the Merged Company assuming that only the options that are in the money, being 250,000 in WTR, are exercised.



**Table 3: Post Merger Capital Structure Pre-Capital Raising**

	Shares & Options* (in the money) Pre - Transaction	Post Bondi Consolidation 1 for 4	Conversion Ratio	Shares Post * Transaction	Shareholding	Fully Diluted if all Options and Warrants exercised	Shareholding
WTR	73,469,870	73,469,870	3.5	257,144,545	89.52%	260,386,595	89.24%
Bondi	120,412,807	30,103,202	1	30,103,202	10.48%	31,411,952	10.76%
<b>Total</b>	<b>193,882,677</b>	<b>103,573,072</b>		<b>287,247,747</b>	<b>100.00%</b>	<b>291,798,547</b>	<b>100.00%</b>

\* shares and options which we have been advised will be exercised prior to merger

Source: Bondi

The post Merged Company, prior to the capital raising, will have the following securities on issue:

- 287,247,747 Ordinary shares;
- 1,308,750 Options over unissued shares (from Bondi); and
- 2,367,050 Warrants and Options over unissued shares (from WTR).

The top 10 shareholders and total issued capital post the takeover, prior to the capital raising are detailed below.

**Table 4: Post Merger top 10 shareholders**

Shareholder	Number of Ordinary Shares held	Percentage held of issued Ordinary Capital
Boulle Titanium Ltd	76,305,443	26.56%
Quantum Holdings Pty Ltd	14,622,227	5.09%
Running Water Ltd	14,175,004	4.93%
Larkhill Pty Ltd att M C Turner Family Trust	11,812,500	4.11%
Jules Le Clezio	8,400,000	2.92%
J P Morgan Nominees Australia Limited	7,000,000	2.44%
Boden Corporate Services Pty Ltd <Boden Family A/C>	6,804,000	2.37%
Graham Robert Forward Pty Ltd ATF The GJ Family Trust	6,727,777	2.34%
Guy Francois Marie LeClezio	6,416,666	2.23%
Raymond Marie Marc Hein	5,716,669	1.99%
<b>Top 10 Shareholders</b>	<b>157,980,284</b>	<b>55.00%</b>
<b>Other Shareholders</b>	<b>129,267,463</b>	<b>45.00%</b>
<b>Total Issued Shares</b>	<b>287,247,747</b>	<b>100%</b>

Source: WTR share register as at 12.08.11 and summary of WTR register sourced from Bondi

The top 10 shareholders, being WTR shareholders, will hold approximately 55.0% of the Merged Company whilst the remaining shareholders will hold parcels of less than 2.0% of the total shares on issue.

A SWOT analysis for the combined Bondi and WTR follows:-

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ A Merged Company with broadened shareholder base and enhanced trading profile, with sufficient cash to advance its two businesses, Toliara Sands Project and the Namibian exploration tenements.</li> <li>▪ 100% ownership of a high grade, JORC-defined, world class resource, which is amenable to low cost mining and beneficiation and has no known resource-related technical or marketing difficulties.</li> <li>▪ Additional resources in exploration tenements to extend project life well beyond the initially planned 19 years and to support expansion of production capacity.</li> <li>▪ WTR has a long association with the Toliara project and in the past has been able to attract major partners with development capital.</li> <li>▪ The Merged Company will have an African focus and spread of assets and range of commodities in its pipeline. Its major shareholder is experienced in African as well as global mining developments in politically and logistically difficult environments.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Merged Company will need to raise substantial equity (and/or debt) capital to progress the minerals sands development and exploration of other tenements.</li> <li>▪ A number of other minerals sands projects have come into production or been expanded, are under construction or have secured funding and are about to start construction. This could result in an equally sharp downturn in prices as the supply/demand balance is reversed.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Based on the previous, near complete bankable feasibility study, done by Exxaro, one of the global major participants in the TiO<sub>2</sub> sector, there are many aspects of Toliara's development which can be fast tracked to take advantage of the strong market upturn and substantially improved mineral prices compared with July 2009 when Exxaro terminated its interest in the project.</li> <li>▪ South West Africa, in particular Namibia and Botswana are receiving a strong level of exploration interest, supported by resource discovery in recent years and a number of mines in development or recently commissioned.</li> <li>▪ The timeliness of securing assets in rapidly developing sought-after regions and commodities provides opportunity for market rerating of share price for both segment divisions, as tenure is secured and project milestones are reached.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Toliara assets are not secured by granted mining permits (exploration permit at renewal).</li> <li>▪ With regard to the Namibian tenements the mining license application has been approved but is awaiting signature from the Mines Minister.</li> <li>▪ The political instability which has resulted in the cessation of international development funds has combined to further impoverish Madagascar and erode institutional and bureaucratic capacity, in an underdeveloped country.</li> <li>▪ Violent outbreaks in Madagascar which have caused loss of life, pose a high operating risk in country.</li> </ul>



## 2. Purpose, Scope and Limitations

### 2.1 Legislative Requirements

The Scheme is subject to Section 411 of the Corporations Act 2001 (**the Act**) and Regulation 8303 of Part 3 of Schedule 8 of the Corporations Regulations 2001 (**Regulation 8303**).

Section 411 of the Act (**Section 411**) governs schemes of arrangements between a company and its members, Part 3 of Schedule 8 of the Corporations Regulations prescribes the information to be sent to shareholders in relation to members' schemes of arrangement.

The information required to be provided to the shareholders under Part 3 of Schedule 8 must include an independent expert's report when a party to the scheme of arrangement has prescribed shareholding (30% or more of the voting shares), or where any of its directors are also directors of the company subject of the scheme. The issue of shares in Bondi under the Proposed Transaction will result in the relevant interests of WTR Shareholders in Bondi being greater than 30% and as a result an independent expert report is required.

Regulation 8303 requires an independent expert's report in relation to a scheme of arrangement to be prepared, stating whether or not a scheme of arrangement "is in the best interest" of shareholders and setting out the reasons for that opinion.

RG 111 "Content of Expert Reports" requires that when an expert report is required in a scheme of arrangement involving a change of control, the expert is expected to apply the analysis and provide an opinion as to whether the proposal is "fair and reasonable" as set out in RG 111.10–RG 111.17 as if:

- (a) the "bidder" was the "other party"; and
- (b) the "target" was the company that is the subject of the proposed scheme.

If an expert would conclude that a proposal was "fair and reasonable" if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of the members of the company

The scope of the procedures we have undertaken were limited to those procedures we believed were required in order to form our opinion. Our procedures, in the preparation of this report, do not include verification work nor constitute an audit in accordance with Australian Auditing Standards ("AUS"), nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

### 2.2 Purpose of Report

The directors of Bondi have engaged InterFinancial to prepare an independent expert's report in relation to the Scheme and Reverse Takeover and to express an opinion as to whether or not the Scheme and Reverse Takeover is fair and reasonable and as a result in the best interests of the shareholders of Bondi, and to provide reasons for that opinion.

This Report or part thereof, may form part of the Notice of Meeting and Explanatory Memorandum to be sent by Bondi to its Shareholders.

This Report has been prepared for use by Directors and Shareholders to provide them with information relating to the Scheme and Reverse Takeover and should not be used by any other person or for any other purpose. This Report will be provided to Shareholders to assist them to make an informed decision as to whether to vote in favour of the Scheme and Reverse Takeover. This Report should be read in full, including all of the assumptions upon which our work is based. The Report should be read together with the Notice of Meeting and any other information provided to Shareholders in connection with the Scheme and Reverse Takeover. The specific terms of the resolution to be approved by Shareholders are set out in the Notice of Meeting and Explanatory Memorandum accompanying this Report.

A Shareholder's decision to accept or reject the Scheme and Reverse Takeover is likely to be influenced by their particular circumstances, for example, tax considerations particular to that person. This Report does not address circumstances specific to an individual Shareholder. Shareholders who are in any doubt as to the action they should take should consult with their own independent professional advisers

## 2.3 Scope

The Act requires an independent expert to report on whether the Scheme and Reverse Takeover is fair and reasonable and as a result in the Best Interests of Shareholders, there is no definition of this term in the Act. However, ASIC has indicated in Regulatory Guide (RG) 111 that where shareholders are being asked to approve a scheme of arrangement, such as this one, the shareholder must be provided with an analysis of whether the Scheme is fair and reasonable and ultimately in “the best interests” of Bondi shareholders.

The Directors of Bondi have commissioned IFL to provide this Report to the standard of an independent expert report to help them satisfy that obligation.

It is IFL’s understanding that this Report will accompany the Notice of Meeting and Explanatory Memorandum to be sent to the Bondi shareholders by Bondi. The sole purpose of this Report is to provide the Directors and Shareholders with an expression of IFL’s opinion as to whether the Scheme and Reverse Takeover is fair and reasonable.

IFL’s opinion should not be construed as a recommendation as to whether or not the Directors should recommend the Scheme and Reverse Takeover. Acceptance or not is a matter for individual Directors.

## 2.4 Basis of Evaluation

The Corporations Act does not define the expressions “fair” and “reasonable”. However, guidance is provided by the Regulatory Guides issued by ASIC, which establish certain guidelines in respect of independent expert’s reports required under the Corporations Act or commissioned voluntarily. In particular, Regulatory Guide 111 “Content of Expert Reports” (**RG 111**) has been considered.

RG 111 draws a distinction between “fair” and “reasonable”. An offer is fair if the consideration is equal to or greater than the value of the securities subject to the offer. The comparison must be made assuming 100% ownership of the target company irrespective of the percentage holding of the bidder or its associates in the target company.

- RG 111 considers an offer to be “reasonable” if:
- The offer is “fair”; or
- Despite not being “fair”, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher offer.

In these Reverse Takeover circumstances, the „bidder” is considered to be WTR and the „target” is Bondi, although it is Bondi that is offering 3.5 Bondi shares for each WTR share.

RG 111 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer including:

- The bidder’s pre-existing voting power in the target company;
- Other significant security holding blocks in the target;
- The liquidity of the market in the target’s securities;
- Taxation losses, cash flow or other benefits arising through achieving 100% ownership of the target;
- Any special value of the target to the bidder;
- The likely market price if the offer is unsuccessful; and
- The value to an alternative bidder and likelihood of an alternative offer being made.

In our opinion, the Scheme and Reverse Takeover will be fair if the value of the consideration is greater than that market value of the securities in Bondi, inclusive of an appropriate premium for control.

In considering whether the Scheme and Reverse Takeover is reasonable, other factors that have been considered include

- The estimated value of Bondi;
- The existing shareholding structure of Bondi;
- The likelihood of an alternative offer and alternative transactions that could realise fair value;



- The likely market price and liquidity of Bondi shares in the absence of the offer; and
- Other advantages and disadvantages for Bondi's shareholders of approving the Scheme and Reverse Takeover and issues of more than 20% of Bondi's capital to a single entity.

## 2.5 Reliance on Information

This Report is based upon financial and other information provided by Bondi. IFL has considered and relied upon this information. IFL believes the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Scheme and Reverse Takeover is fair and reasonable.

IFL does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to IFL was prepared in accordance with generally accepted accounting principles and except where noted, prepared in a manner consistent with the method of accounting used by Bondi in previous accounting periods.

Where IFL has relied on the views and judgement of management the information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation. In the context of this Report, the views not capable of direct external verification or validation related principally to matters such as the likely future actions of management and/or the likely future behaviour of competitors.

## 2.6 Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Accordingly, changes in those conditions may result in any valuation opinions becoming quickly outdated and in need of revision. IFL reserves the right to revise any valuation, or other opinion, in the light of material information existing at the date of this Report that subsequently becomes known to IFL.

## 2.7 Sources of Information

Appendix A to this Report sets out details of information referred to and relied upon by IFL during the course of preparing this Report and forming our opinion.

Under the terms of IFL's engagement, Bondi has agreed to indemnify directors and staff of IFL against loss or expense, costs or damage, arising out of reliance on any information or documentation provided by Bondi which is false and misleading or omits any material particulars, or arising from failure to supply relevant information.

## 2.8 Assumptions

In forming our opinion, the following has been assumed:

- All relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts and there are no alleged or actual material breaches of the same or disputes (including, but not limited to, legal proceedings), other than as publicly disclosed and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding, other than as publicly disclosed;
- That matters relating to title and ownership of assets (both tangible and intangible) are in good standing, and will remain so, and that there are no material legal proceedings, or disputes, other than as publicly disclosed;
- Information in relation to the Reverse Takeover and the Scheme provided to the Shareholders or any statutory authority by the parties as part of the bidder's statement or the target's statement is complete, accurate and fairly presented in all material respects;



- If the Scheme and Reverse Takeover is accepted, it will be implemented in accordance with the Scheme and its disclosed terms; and
- The legal mechanisms to implement the Reverse Takeover are correct and effective.



## 3. Bondi Company Profile

### 3.1 Company overview

Bondi is an ASX listed public company (ASX:BOM) which was listed on 28 December 2006, to explore for primarily copper and uranium targets in Australia and internationally. The Company has been an active junior explorer, with turnover of exploration ground, attracting joint venture partners to carry expenditure in the more mature northern Australian uranium exploration tenements, and acquiring additional exploration tenements and data bases in Tasmania and Namibia.

### 3.2 Exploration Assets

The Australian exploration properties of Murphy Project, Northern Territory, uranium, North Maureen Project, Queensland, uranium and Mt Owen (EL39/205) and Mt Sedgwick (EL33/2011 application), Tasmania, copper-gold and base metals are to be transferred to a separate company, owned by the existing Shareholders of Bondi, prior to the consolidation of shares and the Scheme and Reverse Takeover.

These assets will not be part of the assets of Bondi as it proceeds to implement the Scheme and Reverse Takeover. IFL is not required to value these Australian assets. The Shareholders will continue to hold the Australian assets and in considering the overall Scheme and Reverse Takeover, this retained value via shares in a separate and new company is relevant in considering the overall value of the offer to Bondi via the Reverse Takeover within the Scheme.

The Namibian tenement applications, which are expected to be granted in the second half of 2011, will remain as a focus in the Merged Company post the completion of the Scheme.

The purpose of our investigation in this Report is to identify the level of confidence that might be placed in the data underlying the assessment of value in WTR relative to the Bondi share value to be issued to WTR shareholders.

#### 3.2.1 Namibian Exploration Tenements and Assessment of Value

Following extensive research and collaboration with other explorers, Bondi applied for 10 tenements in Namibia in December 2010, covering an area of approximately 7,980km<sup>2</sup>. The tenement applications are held by Bondi Mining Namibia (Pty) Ltd (Bondi Namibia) which is the operational company that will carry out the planned exploration programme when the tenements are granted. The two project areas, Otavi (EPLs 4645, 4647, 4648), south of Grootfontein, and Otjinene (EPLs 4640, 4641, 4642, 4643, 4644, 4646, 4649), 200 km north west of the capital Windhoek. Using the publicly available regional geophysical data bases, Bondi Namibia, has done a detailed stratigraphic and structural interpretation for tenure selection and target refinement.

A grant is anticipated in the second half of 2011. The tenements register of the Namibian mines department was checked as of 7 September 2011 and the 10 tenements were registered as „pending“. There are no known impediments to grant of tenure in due course.

Bondi has accumulated expenses attributable to the selection and application for tenure in Namibia of \$212,766 as at 30 June 2011 (accumulated from 1 June 2009 to 30 June 2011). As the tenements are not granted, this value has not been taken into account in the balance sheet. The Shareholders might expect an immediate revaluation to this carried expenditure amount once tenure is granted. As exploration results begin to give confidence in the mineralisation target modelling and testing, a substantial upward revaluation of the carrying value in the market is typical.

Bondi continues to accumulate and interpret an extensive African geological data base. Apportioning some of the costs of this data base to the Namibian tenements can be expected once tenure is secured. At 30 June 2011, other exploration and evaluation expenditure carried in the balance sheet was \$37,114.

The assessed value of the Namibian exploration assets is ranges from zero to the expenditure to date, \$212,766.

### 3.3 Key Personnel

Bondi's directors and key management are outlined in the table below.

**Table 5: Bondi Directors and Key Management**

Name & Position	Description
Simon O'Loughlin, Non-Executive Chairman	Simon O'Loughlin is the founding member of O'Loughlins Lawyers, Adelaide. He also holds accounting qualifications. He is the chairman of Living Cell Technologies Limited and WCP Resources Ltd. He is a director of Petratherm Ltd, Chesser Resources Ltd, Probiomics Ltd and Aura Energy Ltd. He has extensive experience and involvement with companies in the small industrial and resources sectors. Simon is a former chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).
Richard Valenta, Managing Director	Dr. Rick Valenta is a geologist with more than 25 years experience in technical and executive management roles in North America, Central America and Australia. Prior to joining Bondi, Rick was Chief Operating Officer and Vice President Exploration of Canadian listed Fronteer Development Group, and before that Chief Geoscientist of Aurora Energy Resources Inc. Both companies achieved market capitalizations of ~CDN1 billion on the back of exploration discovery led by Rick. Rick is also Managing Director of Chesser Resources Ltd.
Creagh O'Connor Non-Executive Director	Creagh O'Connor is a founding director of specialist resource investment bank, Gryphon Partners Pty Ltd. Prior to Gryphon Partners, Creagh held executive roles with Normandy Mining. Creagh is currently a director of Chesser Resources Ltd. He has held numerous directorships of resource companies.
Darren Morcombe Non-Executive Director	Darren Morcombe has more than 20 years of resources company experience in Australia, United States and Switzerland, including Normandy Mining and Newmont Mining Corp. in the areas of financing, treasury, mergers and acquisitions.  He founded Springtide Capital Pty Ltd, a private investment company specializing in micro-cap listed companies, venture capital and resource-oriented companies. Darren is a major shareholder of several public companies and chairman of TSX-listed Foran Mining Corporation. He was Chairman and a major shareholder of European Gold Refineries SA, Europe's largest gold refinery, and Director of AGR Matthey, one of the world's largest gold refineries.
David Esser, Exploration Manager	David Esser, geologist has over 16 years of exploration experience to Bondi, throughout Australian and PNG. David led the exploration teams that were responsible for the discovery of the Mt Dimer gold orebody near Southern Cross WA, and the Kulthor copper-gold resource near Osborne in the Mount Isa region, and was also part of teams that successfully expanded the resources of Porgera, Kidston, Misima, Osborne and Granny Smith.
Kerry Angel, Company Secretary	Kerry Angel is a Certified Practicing Accountant with over 20 years experience in the accounting industry, a significant proportion of which has been in key roles within the mining industry. She has managed accounting, treasury, finance and shared service functions for a number of large mining and mining service groups, as well as having managed accounting and regulatory reporting roles for a number of ASX-listed junior companies. Kerry is also currently Company Secretary of Chesser Resources Ltd.

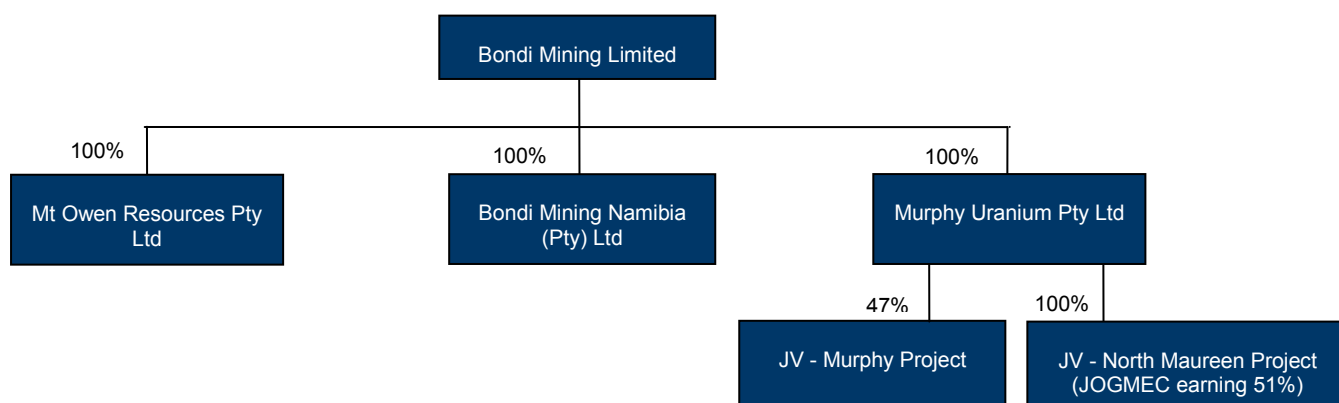
Source: Bondi



### 3.4 Ownership and Capital Structure

Bondi has three 100% owned subsidiaries as detailed in Figure 2 below. The two uranium joint venture (JV) projects are held by Murphy Uranium Pty Ltd. Mt Owen Resources Pty Ltd is the applicant for the Mount Sedgwick tenement.

**Figure 2: Bondi's Corporate Structure**



Source: Bondi

As at 30 June 2011, Bondi had 120,412,807 shares on issue. The top 10 shareholders and total issued ordinary shares of Bondi as at 30 June 2011 are summarised below.

**Table 6: Top 10 Shareholders as at 30 June 2011**

Shareholder	Number of Ordinary Shares held	Percentage held of issued Ordinary Capital
Laguna Bay Capital Pty Ltd	12,462,500	10.35%
Springtide Capital Pty Ltd <Cockatoo Valley Invest A/C>	12,242,500	10.17%
National Nominees Limited	8,958,810	7.44%
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	2,977,897	2.47%
AWJ Family Pty Ltd <A W Johnson Family A/C>	2,515,334	2.09%
Mr Jeremy Tobias	2,500,000	2.08%
Taycol Nominees Pty Ltd	2,250,000	1.87%
Robert Pular S/Fund	2,055,556	1.71%
Merrill Lynch (Australia) Nominees Pty Ltd	1,805,873	1.50%
Pangean Resources Pty Ltd	1,750,000	1.45%
<b>Total Issued Shares</b>	<b>120,412,807</b>	<b>100.00%</b>
Top 10 Shareholders	49,518,470	41.12%
Other Shareholders	70,894,337	58.88%

Source: Bondi

At 30 June 2011, Bondi had on issue the following unlisted options which are exercisable over unissued shares in Bondi.

**Table 7: Issued Options**

Issue Date	Number of Options	Exercise Price	Expiry Date
12-Nov-07	500,000	\$0.30	11-Nov-11
12-Nov-07	500,000	\$0.35	11-Nov-11
12-Nov-07	500,000	\$0.40	11-Nov-11
22-Sep-08	120,000	\$0.30	26-Nov-12
01-Mar-10	65,000	\$0.12	28-Feb-15
09-May-11	1,500,000	\$0.20	08-May-13
09-May-11	1,900,000	\$0.20	08-May-15
23-May-11	50,000	\$0.15	22-May-15
23-May-11	50,000	\$0.21	22-May-15
23-May-11	50,000	\$0.28	22-May-15
<b>Total Issued Options</b>	<b>5,235,000</b>		

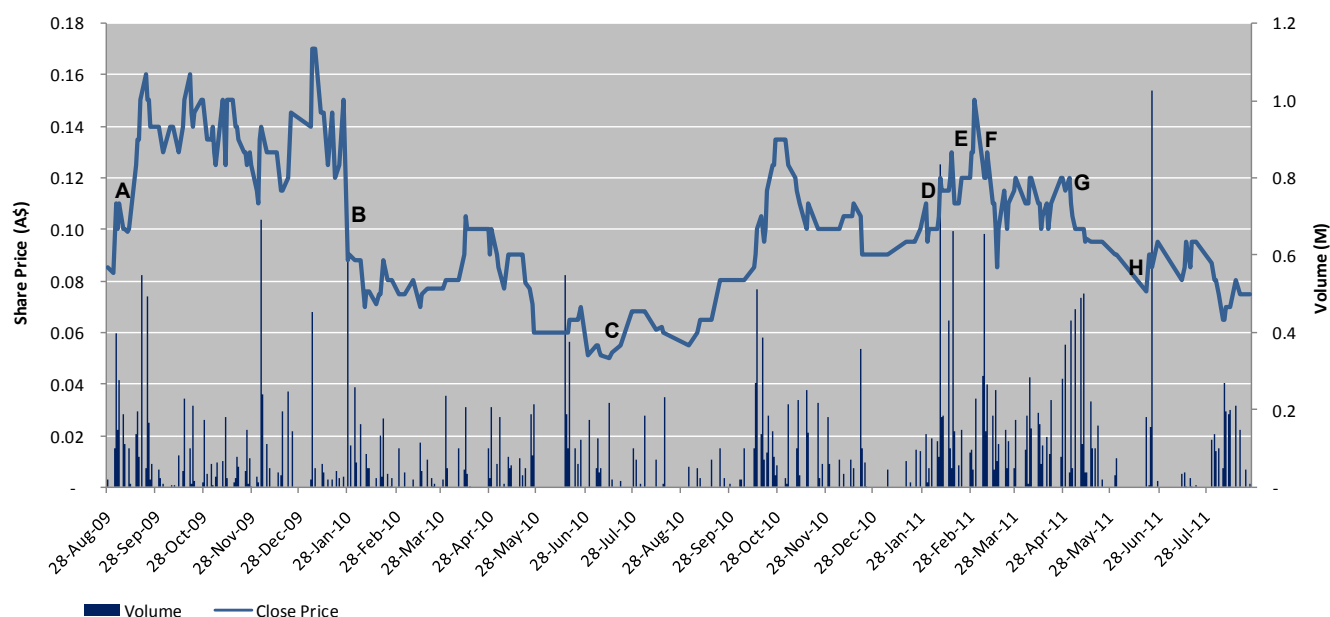
Source: Bondi

As at 28 September 2011, all the options are out of the money.

### 3.5 Share Price Analysis

We have analysed Bondi's daily share close price and volume traded during the period from 28 August 2009 to 25 August 2011 (the last trading day prior to the Announcement).

**Figure 3: Share price analysis**



Source: Thomson Reuters

Notable events disclosed by Bondi's company announcements during the trading period which may have impacted Bondi's share price movements and trading volumes are set out as follows:

**Table 8: Bondi's Recent Company Announcements**

Date	Chart Reference	Announcement Details
15 September 2009	A	Announcement Bondi to raise \$1.7 million by placement of 17 million shares at \$0.10 per share
28 January 2010	B	Murphy Project Northern Territory Results Received for Phase 3 Drilling at UC19
20 July 2010	C	Announcement new uranium-bearing and polymetallic mineralised zone discovered at North Maureen Project, QLD.
9 February 2011	D	Announcement re acquisition of copper-gold project at Mt. Owen, near the Mt. Lyell copper/gold mine, in Western Tasmania
3 March 2011	E	Bondi announces 10 exploration tenement applications in Namibia, targeting high-grade, large-tonnage, sediment-hosted copper and other metal deposits
8 March 2011	F	Announcement Bondi raised \$3 million, by placement of 30 million shares at \$0.10 per share, in a placement to institutional and sophisticated investors. Tranche 2 comprising of 18.5 million shares is subject to shareholder approval.
3 May 2011	G	Bondi completes placement of Tranche 2 (18.5 million shares at \$0.10 per share to raise \$1.85 million).
23 June 2011	H	Bondi applies for Mt Sedgwick copper-gold target tenement in Tasmania

Source: Bondi ASX Announcements

Table 9 below outlines Bondi's average daily and weekly share volume turnover. Based on this, it would take over 140 weeks for 100% of Bondi's stock to trade. Typically, the large sophisticated and founding shareholders of small exploration companies are not traders of their shares.

**Table 9: Bondi's share trading turnover**

Company	Ticker	Market Cap (\$m)	EV (\$m)	No Shares (m)	Avg Daily Turnover (m)	Avg Weekly Turnover	Trading weeks to Turnover 100%
Bonding Mining Limited	bom-au	10.2	8.3	120.4	0.17	0.9	140.5

Source: Thomson Reuters

Based on this analysis we have concluded that Bondi has limited liquidity and as a result we have not used the share price as our primary valuation method.

### 3.5.1 Recent Capital Raisings in Bondi

Since September 2009, two capital raisings have been completed by Bondi:

- In September 2009 Bondi raised \$1.7 million via placement of 17 million shares at \$0.10 per share. The placement was made to a number of sophisticated and/or professional investors; and
- In March 2011 Bondi raised the first \$3 million tranche, via a placement of 30 million shares at \$0.10 per share to institutional and sophisticated investors. In May 2011, after Shareholder approval, the second tranche of 18.5 million shares at \$0.10 per share, raising \$1.85 million was completed.

### 3.6 Historical Profit and Loss

We detail below the past 3 years Profit and Loss for Bondi.

**Table 10: Bondi's Historical P&L**

	FY2008 Actual \$	FY2009 Actual \$	FY2010 Actual \$
<b>Revenue</b>	<b>264,111</b>	<b>70,092</b>	<b>123,349</b>
Impairment of exploration assets	663,034	1,205,500	1,865,746
Exploration expense	-	-	190,181
Employee benefits expense	496,921	452,664	265,419
Other expense	598,918	265,935	334,210
Financial costs	-	-	22
<b>Total Operating Expenses</b>	<b>1,758,873</b>	<b>1,924,099</b>	<b>2,655,578</b>
<b>EBITDA</b>	<b>(1,494,762)</b>	<b>(1,854,007)</b>	<b>(2,532,229)</b>
Depreciation and Amortisation	49,933	70,088	30,817
<b>Net Profit Before Tax</b>	<b>(1,544,695)</b>	<b>(1,924,095)</b>	<b>(2,563,046)</b>

Source: Bondi

Notes:- The accounts in 2011 include the expensing of the exploration expenditure that relates to the Namibian tenements as the accounting standard requires due to the mining permits not being granted yet.



### 3.7 Historical Balance Sheet

We detail below the historical balance sheet for the past 3 years.

**Table 11: Bondi's Historical and Current Balance Sheet**

	30 June 2009 \$	30 June 2010 \$	30 June 2011 \$
<b>Current Assets</b>			
Cash and cash equivalents	1,958,426	2,252,107	3,900,129
Trade and other receivables	85,067	91,203	181,949
Other current assets	75,822	182,521	29,578
<b>Total Current Assets</b>	<b>2,119,315</b>	<b>2,525,831</b>	<b>4,111,656</b>
<b>Non Current Assets</b>			
Exploration and evaluation expenditure	12,967,829	11,267,576	11,954,578
Trade and other receivables	-	32,000	38,000
Property, plant and equipment	144,667	119,026	123,186
<b>Total Non-Current Assets</b>	<b>13,112,496</b>	<b>11,418,602</b>	<b>12,115,764</b>
<b>Total Assets</b>	<b>15,231,811</b>	<b>13,944,433</b>	<b>16,227,420</b>
<b>Current Liabilities</b>			
Trade and other payables	510,989	178,881	73,598
Interest-bearing liabilities	-	-	-
Provisions	8,911	11,856	14,145
<b>Total Current Liabilities</b>	<b>519,900</b>	<b>190,737</b>	<b>87,743</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	-	-	-
Other Payables	-	-	110,650
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>110,650</b>
<b>Total Liabilities</b>	<b>519,900</b>	<b>190,737</b>	<b>198,393</b>
<b>NET ASSETS</b>	<b>14,711,911</b>	<b>13,753,696</b>	<b>16,029,027</b>
<b>Equity</b>			
Issued capital	17,600,555	19,218,822	22,284,114
Reserves	(3,855,444)	(6,453,519)	(7,354,035)
Accumulated losses	966,800	988,393	1,098,948
<b>Total Equity</b>	<b>14,711,911</b>	<b>13,753,696</b>	<b>16,029,027</b>

Source: Bondi





## 4. Valuation of Bondi Shares

### 4.1 Valuation of Bondi Shares

Various valuation methodologies can be applied in different circumstances to estimate the value of a company and its assets. Their usage is determined by the confidence levels in available information.

The primary factor in determining which methodology is appropriate is the actual practice adopted by purchasers of the type of businesses and assets involved. Potential methods:

- Discounting projected cash flows (**DCF**); not applicable as Bondi has no JORC level resource and no regular cash flows from production or royalty streams;
- Market-based values; applicable to the extent that the ASX share price reflects underlying value and the extent the shares are traded with liquidity;
- Comparable transactions; applicable to the extent that there is a visible market in tenements or data bases acquired and sold by resource explorers; Bondi has joint ventured its uranium properties as a willing vendor to a willing acquirer and this provides a basis for valuation; Bondi recently acquired the Mt Owen project and the terms of that transaction provide a basis for valuation;
- Industry rules of thumb; generally applied to resources in the ground and market capitalisation per resource unit; as Bondi has no stated resources, these rules of thumb are not applicable; or
- Net asset or residual value analysis; the expenditure exploration tenements/projects to date and the carrying value of the assets in Bondi's balance is an objective guide to value.

Market based values for Bondi as a whole, comparable transactions using acquisition and joint venture terms and net asset and residual carrying values provide imprecise estimates of value, however, collectively they provide a range of values which are considered reasonable.

### 4.2 Net Asset Valuation

We have assessed the fair market value of Bondi based on a net asset valuation of Bondi. We have removed the capitalised value of the exploration expenditure relating to the Australian tenements not included in the transaction and assessed the value of the Namibian tenements.

Valuation of net assets on a going concern basis involves:

- Separating the assets and liabilities; and
- Ascribing a fair value to each asset and liability.

In undertaking the valuation of Bondi we have had regard to:

- The financial position of Bondi as at 30 June 2011;
- Any assets not included as part of the Scheme and Reverse Takeover;
- Any adjustments required to the net asset value of Bondi;
- The value of any assets or liabilities not fully reflected in the Company's balance sheet; and
- The applicability of a premium for control.

The recorded book value may not be the most appropriate value to be ascribed to an asset or liability. Accordingly, we have restated the balance sheet of Bondi as at 30 June 2011 to reflect fair market value and to include any off balance sheet assets and liabilities.

**Table 12: Bondi's balance sheet adjusted for its Australian assets**

Balances as at 30 June 2011				
	Book Value	Adjustment for	Fair Market	Fair Market Value
	\$	Australian Assets	Value (Low)	(High)
		\$	\$	\$
<b>Current Assets</b>				
Cash and cash equivalents	3,900,129		3,900,129	3,900,129
Trade and other receivables	181,949		181,949	181,949
Other current assets	29,578		29,578	29,578
<b>Total Current Assets</b>	<b>4,111,656</b>		<b>4,111,656</b>	<b>4,111,656</b>
<b>Non Current Assets</b>				
Exploration and evaluation expenditure	11,954,578	(11,954,578)	0	212,766
Trade and other receivables	38,000		38,000	38,000
Property, plant and equipment	123,186		123,186	123,186
<b>Total Non-Current Assets</b>	<b>12,115,764</b>		<b>161,186</b>	<b>373,952</b>
<b>Total Assets</b>	<b>16,227,420</b>		<b>4,272,842</b>	<b>4,485,608</b>
<b>Current Liabilities</b>				
Trade and other payables	73,598		73,598	73,598
Interest-bearing liabilities	0		0	0
Provisions	14,145		14,145	14,145
<b>Total Current Liabilities</b>	<b>87,743</b>		<b>87,743</b>	<b>87,743</b>
<b>Non-Current liabilities</b>				
Other Payables	110,650		110,650	110,650
Interest-bearing liabilities	0		0	0
<b>Total Non-Current liabilities</b>	<b>110,650</b>		<b>110,650</b>	<b>110,650</b>
<b>Total Liabilities</b>	<b>198,393</b>		<b>198,393</b>	<b>198,393</b>
<b>Net Assets</b>	<b>16,029,027</b>		<b>4,074,449</b>	<b>4,287,215</b>
<b>Equity</b>				
Issue capital	22,284,114	(11,954,578)	10,329,536	10,542,302
Reserves	(7,354,035)		(7,354,035)	(7,354,035)
Accumulated losses/retained earnings	1,098,948		1,098,948	1,098,948
<b>Total Equity</b>	<b>16,029,027</b>		<b>4,074,449</b>	<b>4,287,215</b>

Source: Bondi, IFL Analysis

In arriving at the market value of the net assets, we have given consideration to the following:

- Cash: the nature of cash is such that cash is regarded as fairly stated in the accounts and reflects current market value;
- Exploration and evaluation expenditure: the balances making up exploration and evaluation expenditure relate to the Australian tenements which are not included as part of the Scheme and Reverse Takeover. The exploration costs relating to the Namibian tenements have been written off in the accounts, as required under the accounting standard, as the permits to explore have not yet been issued. As a result we have removed all of the capitalised exploration and evaluation expenditure as they relate to assets not included in the merger;
- We consider that due to the fact that exploration permits have not been issued for Bondi's Namibian projects and the uncertainties surrounding the ability to extract full value from the projects, we believe that a nil value as shown in the balance sheet is appropriate. For the purposes of assessing a high value we have valued the Namibian projects at the exploration costs to date being \$212,766 with the assumption that the mining permits are issue in due course as expected;
- Property, plant and equipment: the book value of the plant and equipment approximates their fair market value.
- Trade creditors, provisions and other creditors: the book value of the liabilities approximates their fair market value.

Consideration has been given as to whether all assets and liabilities of the business of Bondi are included in the balance sheet and we have concluded that all other assets and liabilities have been included.

### 4.3 Premium for Control

When valuing a controlling interest, an appropriate allowance should be made for the premium for control, given the strategic benefit that a controlling interest would provide. Empirical evidence on premiums for control indicates that these premiums tend to range between 15% and 40%. A net realisable asset valuation methodology is on a controlling basis so in this circumstance we have determined that no control premium is required.

### 4.4 Valuation conclusion

IFL's value of Bondi derived from the net asset realisation is summarised as follows:

**Table 13: Summary of Valuation**

	Ref.	Fair Market Value (Low)	Fair Market Value (High)
Equity value of Bondi (adjusted net assets)	4.12	\$4,074,449	\$4,287,215
Number of shares on issue	3.4	120,412,807	120,412,807
<b>Equity value per Share of Bondi on a control basis</b>		<b>\$0.034</b>	<b>\$0.036</b>

Source: IFL Analysis

We have assessed the value of Bondi based on the net realisable value (**NRV**) method at \$0.034 to \$0.036 per share.

### 4.5 Share Valuation Cross Check

In March 2011, Bondi completed a \$3 million capital raising at \$0.10 per share to institutional and sophisticated investors. The 30 day VWAP prior to the announcement of the transaction on the 29<sup>th</sup> August 2011 for Bondi was \$0.07. We have capitalised the company based on a share price of \$0.10, the higher value, to provide a cross check to our primary valuation method.

We have multiplied the share price by the issued capital of the company to determine a market value for equity in the company on a minority basis. We have converted the equity value to a control basis and then removed the Australian assets to provide a cross check to the valuation using the Net Asset approach above.

**Table 14: Share valuation cross-check**

	Share Placement	Total Issued Shares	Total
Equity Value on a minority basis	\$0.10	120,412,807	\$12,041,281
Premium for Control			30%
Equity Value on a controlling basis			\$ 15,653,665
Less Book Value of Australian Assets			-\$11,954,578
Equity Value of residual assets on a controlling basis			\$3,699,087
<b>Net Value per Share</b>			<b>\$0.031</b>

Source: IFL Analysis

We believe that the share valuation cross check of \$0.031 supports the primary value method using the Net Asset approach above which produced a range of \$0.34 to \$0.36.



## 5. World Titanium Resources Company Profile

### 5.1 Company overview

WTR previously known as Madagascar Resources NL, is an explorer and project developer with a portfolio of mineral sands tenements in Madagascar and other resource investments.

WTR is incorporated in Australia as a public unlisted company with 86 shareholders, the company is based in Perth. Its directly held subsidiaries Madagascar Mineral Fields Limited and Malagasy Sands No. 2 Limited are incorporated in Mauritius. The Malagasy subsidiaries that directly hold the exploration and mining tenure, Toliara Sands SARL (Incorp. 1994, formerly named Exploitation Madagascar SARL) and Madagascar Resources SARL (Incorp. 2010) were incorporated in Madagascar.

Since the termination of Exxaro's option agreement to acquire equity in WTR's Malagasy mineral sands assets in July 2009, WTR has been working on rescoping a scaled back development plan for a high grade, 8.1% total heavy minerals (**THM**), 145 million tonnes (Mt) portion of the Ranobe heavy mineral resource which contain JORC measured and indicated resources.

In April 2011, then Madagascar Resources NL, raised AUD1.5 million on the basis of the heavy mineral resources contained in its tenements and a substantial data base of test work, some of which has the level of confidence of a near complete bankable feasibility study.

After further technical work, by its consultant of several years TZ International Minerals Pty Ltd (**TZMI**), and an updated scoping study for a 400,000 tonnes per annum (tpa) mining and mineral separation project, the company, renamed World Titanium Resources Limited, raised further capital via a placement to professional investors of AUD6.9 million (USD7.1 million at the time of the placement)

The updated scoping study reported in "*Toliara Sands Project Study update – 400,000tpa Ilmenite for Clients of GMP Securities Europe LLC for June 2011 raising for World Titanium Resources*" by TZMI and its further update of July 2011, are the basis for the assessment of the Toliara Sands Project, (**Toliara**) the main asset of WTR. WTR recognised that equity capital would need to be raised to complete a new bankable feasibility study and to proceed to development, and that this was best facilitated as a publicly listed company.

### 5.2 The Toliara Sands Project

The basis for the revaluation of WTR shares for the June placement was TZMI's financial model for a 400,000 tpa ilmenite and 43,000 tpa rutile and zircon concentrate, produced from a high grade 145 mt portion of the resource. IFL has based its valuation on adjusted after tax cash flows derived from the TZMI July 2011 update. Projections for the WTR valuation have been based on the following:-

- That the proposed Toliara Mineral Sands Project is based on a viable resource;
- That tenure over the resource is secure;
- That the 400,000 tonnes per annum (400ktpa) of ilmenite and 43ktpa zircon and rutile concentrate development plan is accurately cast and costed;
- That the minerals can be beneficiated to saleable products;
- That markets can be secured for the product at viable prices;
- That profit margins are robust and sustainable in all cycles for TiO<sub>2</sub> feedstocks and zircon pricing;
- That permission to mine is granted;
- That any free carried government equity interests, royalties and other government imposts are reflected in the cash flow projections;
- That the current scoping study level of confidence in developing the project can be upgraded to a bankable feasibility study level of confidence within 12 months.

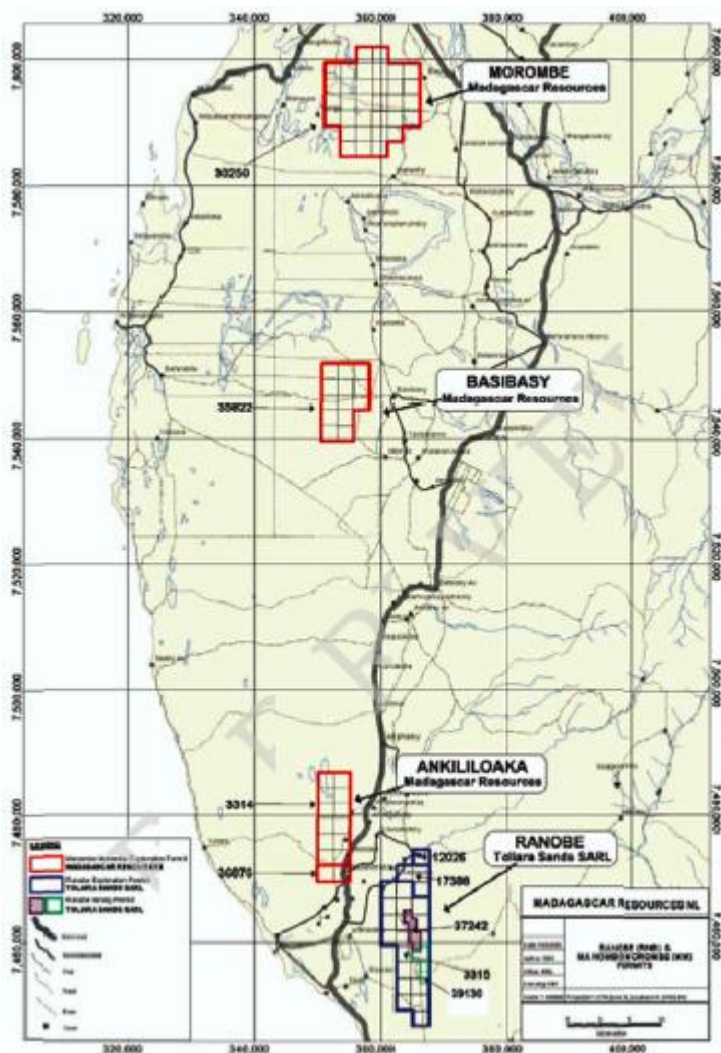
Our discussion in the following sections is directed to understanding the integrity and confidence limits of the data used for the discounted cash flow (**DCF**) and the resulting net present value (**NPV**) presented in section 6.

### 5.2.1 Exploration and Mining Tenure

The tenure of the Ranobe heavy mineral sands resource is directly held by Toliara Sands SARL, a wholly owned subsidiary of Madagascar Mineral Fields Limited, which in turn is a wholly owned subsidiary WTR. Toliara Sands SARL was formerly named Exploitation Madagascar SARL.

The tenure of the Ankililoaka, Basibasy, and Morombe resource areas of the Manombe-Morobe project, is held by Madagascar Resources SARL, a wholly owned subsidiary of Malagasy Sands No. 2 Limited.

**Figure 4: Tenement Boundaries**



Source: Geocraft Pty Ltd in Ausenco report 4 July 2011

Ticor Limited (**Ticor**), later taken over by Exxaro, entered into an option to acquire all of the shares of Madagascar Resources NL's subsidiary company Madagascar Resources Limited and Madagascar Mineral Fields Limited. Following Ticor's takeover by Exxaro, the option agreement was held by Exxaro Mineral Sands BV. These two subsidiaries owned Exploitation Madagascar SARL and Madagascar Resources SARL. This option was acquired for USD2 million and it remained in place from January 2004 to July 2009, at which time Exxaro terminated the option.

Following 100% of its subsidiaries reverting to Madagascar Resources NL (now WTR), the group was restructured with the Ranobe tenements held through Toliara Sands SARL and Madagascar Mineral Fields Limited. The Manombe-Morombe tenements are held though Madagascar Resources SARL and Malagasy Sands No. 2 Limited, which was incorporated in January 2010.

There are references in the April 2011 prospectus of WTR to litigation with Exxaro involving the nature of cessation of the option agreement to effectively acquire 100% of the tenure to Toliara. Legal opinion provided by Grant Donaldson SC noted that Exxaro had terminated the option agreement rather than letting it lapse. The



consequence of this method of ending the agreement is that WTR has no obligation to make any future payment to Exxaro, should WTR on-sell Toliara or develop the project. The nature of the litigation did not query the underlying reversion of ownership to WTR. Exxaro has confirmed to IFL that it has no claim on the tenure.

From January 2004 to July 2009, the period of the option agreement, Exxaro or its subsidiaries undertook and a bankable feasibility study, meeting all tenure obligations and maintaining the tenure in good stead. Due to extreme weakness in the titanium dioxide and zircon markets in 2009, added to the political instability in Madagascar, Exxaro terminated its option agreement. Exxaro's reported cumulative expenditure on Toliara was approximately USD17 million.

A "Legal Opinion Regarding Madagascar Resources NL Subsidiary Companies" by Malagasy legal firm Lexel Juridique & Fiscal was included in WTR's April 2011 prospectus and its scope also covered the standing of the exploration and mining tenements. The report contained a comprehensive register of the tenure, including area, date of grant, duration of grant, and terms of tenure for various minerals. Two Exploitation Permits (the right to mine) were made superseding Exxaro's permitting activities during its bankable feasibility study. The Ranobe mineralisation is held by three Research Permits with two Exploitation Permit applications within the Research Permit areas. The Ankililoaka, Basibasy, and Morombe heavy mineral resource areas are held via seven Research Permits and another Research Permit is held to explore for limestone (calcaire).

The Lexel legal opinion and due diligence investigations confirm that all tenure is current, and that renewal of tenure where applicable, and transfer of title, is in progress in compliance with standard procedures.

### 5.2.2 The Heavy Mineral Resource

Toliara joint ventured the tenements to Tigor which conducted extensive drilling produced a heavy mineral resource statement in 2005. The Project Geologist and Manager for the program was WTR's current Managing Director Peter Woods. The raw data base for the current resource statement has been built on the data from the early part of the last decade and has consistently been vetted for the integrity of interpretation and calculation.

A block model was generated for the upper sand unit at the Ranobe deposit. The most recent verification and calculation of the Toliara resource was undertaken by Andrew Milne of GEOCraft Pty Ltd who prepared the "Independent Geologist's Report – Madagascar Resources NL – Toliara Sands Project" dated 30 March 2011. GEOCraft's report is published in full in (then named) Madagascar Resources NL prospectus dated 6 April 2011. GEOCraft used a conventional sectional-polygonal method for their resource estimation. GEOCraft's report contains a summary of all previously published resource calculations. GEOCraft summarises the resources statements of three generations of work, all of which are stated in accordance with the JORC Code.

**Table 15: GEOCraft JORC Resources**

Source	Year	Measured Mt	Indicated Mt	Inferred Mt	Total Mt	Heavy Minerals %	Slimes %
Tigor	2004	-	605	128	733	6.2	4.8
Exxaro	2006	209	320	181	710	6.3	4.2
GEOCraft	2011	222	393	92	707	6.5	4.7

Source: GeoCraft

The Exxaro resource was quoted in public company annual reporting until FY09. The variations are well within the expected differences of increasing amounts of data with time, and different calculation methodologies.

TZMI has restructured the project and scaled it back to a substantially smaller project, then the scale at which Exxaro used for its bankable feasibility study. The project parameters on which the WTR Toliara mine development plan is based, exploit a higher grade part of the resource of 145 million tonnes with 8.1% total heavy minerals, containing 8 million tonnes of ilmenite product. Mining lease applications have been made over this portion of the total resource. The total resources as stated by Exxaro is 710 Mt with 6.3% total heavy minerals and restated by GEOCraft is 707Mt with 6.5% total heavy minerals.

Additional resources can be converted from exploration to mining tenure as the operation expands and progresses. TZMI use the following production schedule in its production plan and financial model:

Year 1 -10	7.0 Mtpa
Year 11-19	9.4 Mtpa

These mining rates will support average production of 400ktpa ilmenite. The rutile/zircon concentrate will be produced at a rate of 43ktpa. The expansion in year 10 of the project provides for a second mining operation to sustain the production rate from lower grade ore.

The resource statements with measured resources provide a degree of confidence to support a feasibility study of sufficient confidence to be bankable. There is no additional resource risk or uncertainty introduced in TZMI's restructuring and rescaling of the mine project.

### 5.2.3 Mine Design and Mining and Mineral Separation Methods

TZMI's alternative scaled back development plan and mine design has been vetted by Ausenco Limited and found mostly to be in keeping with industry norms. Ausenco recorded its findings of the review of TZMI's "*Toliara Sands Project Scoping Study Update – 400,000tpa ilmenite*" June 2011, in its report to Bondi – "*Toliara Mineral Sands Project – Independent Technical Review*" July 2011. These findings are summarised here and they validate the parameters used in TZMI project financial model, which is presented overall as having the confidence level of a scoping study. Where Ausenco suggested adjustment to capital and operating costs, IFL has taken these recommendation into account in its independent modelling of TZMI base case scoping study. Ausenco's conclusions are summarised below.

#### **Dry mining using front end loaders**

Smaller scale dry mining instead of the large scale dredge mining envisaged by Exxaro in its feasibility study offers a high degree of flexibility in selectively mining the upper sand unit only. The need to source water at high cost and maintain a perched water table is removed with the simple and proven dry mining methods that are used widely in the mineral sands sector throughout the world. The higher dry mining unit costs are offset by no cost to source vast quantities of water and maintain a perched water table. Overall, the dry mining operation costs may have a slight advantage over dredge mining costs. The capital costs for dry mining are significantly lower.

#### **Mineral Processing**

The parameters used in Exxaro's study and TZMI's study are derived from an onsite pilot scale beneficiation plant and provide a high degree of confidence for flowsheet design. The conventional, well-proven three-stage spiral circuit proposed is capable of achieving a high grade heavy mineral concentrate with acceptable heavy mineral recoveries. The low slimes content of the resource allows a relatively simple flowsheet compared with many competing resources and this simplicity results in low capital and operating costs.

The heavy mineral concentrate will be drained and trucked for the first stage of transport and then slurried via pipeline to a dry separation plant located near Toliara and port facilities.

#### **Mineral Separation**

Exxaro, a vertically integrated titanium dioxide company, completed detailed mineral separation work to produce multiple products of varying  $\text{TiO}_2$  content, zircon and monazite. This plant design and recoveries were independently verified by Allied Mineral Laboratories in Perth. In TZMI's technical project review for WTR, the mineral separation flow sheet has been substantially simplified and products reduced to two ilmenite products, a rutile/zircon concentrate, a monazite stream and the heavy mineral trash. The cash flows in the financial model are calculated without any revenue contribution from monazite sales. The revised plant design using standard, proven equipment and simple separation techniques pose no abnormal operational risk. Capital, operating costs and recoveries are considered to be understood with a degree of confidence aligned with a full feasibility study.

Limited data on heavy mineral recoveries are provided in the TZMI report. Ausenco's review notes that >95% recovery of ilmenite (including leucoxene), rutile and zircon from mineral separation plants is typical.

#### **Utilities and Infrastructure**

Ausenco reviewed design and parameters relating to water, power, roads, heavy mineral concentrate transfer station, location of the mineral separation plant and port facilities and found no issues or assumptions that posed any abnormal risk to the project.

#### **Capital Costs**

Ausenco considers cost of installed power to be under estimated and recommends adjustments. No capital estimate for the port road is included in TZMI's modelling. IFL has added USD3 million to the initial capital cost. Engineering, Procurement, Construction, Management (**EPCM**) costs have been adjusted to 24% of direct capital costs and reimbursable costs have been adjusted to 6% of direct capital costs.



### 5.3 Madagascar

In 2010, the population of Madagascar was estimated at around 20 million, 85% of whom live on less than two dollars per day. Since a coup in 2009 Madagascar does not have a constitutionally appointed government. Despite the United Nations and international pressure the country does not have a democratically elected government. Standard and Poors have withdrawn their credit rating for the country and as a result the major international banks will not lend to projects in the country. This means that projects are likely to need to be funded through 100% equity.

Madagascar has extensive mineral resources with two world class tier one mines developed in recent years. Mandena (near Fort Dauphin) an ilmenite project and the Ambatovy nickel-cobalt project, in the North Eastern part of Madagascar. These two mining operations, owned by global mining companies, are providing interim funding to maintain the professional and institutional regulatory authorities of Madagascar.

Rio Tinto subsidiary QIT Madagascar Minerals (QMM) developed and commissioned its Mandena mineral sands (predominantly ilmenite) mine, in South East Madagascar. QMM completed construction and commissioned the mine and infrastructure, including the Port of Eholala, during the period of political instability. QMM was structured as 80% owned by Rio Tinto and 20% owned by the Malagasy government. QMM contributed all capital to production at which time the government could elect to contribute its 20% of costs or dilute its equity position.

The Ambatovy nickel-cobalt project construction is nearing completion. Production of 60,000 tonnes per annum of refined nickel is being targeted, 5,600 tonnes of refined cobalt, and 210,000 tonnes of ammonium sulphate fertilizer for thirty years and is due to begin in 2012. Ambatovy is positioned to become the world's biggest lateritic nickel mine by 2013-2014. The mining and processing project costing ~USD5.5 billion, this project is debt and equity funded.

### 5.4 Titanium Dioxide and Zircon Industry and Economic Overview

TiO<sub>2</sub> pigment is consumed predominantly in paints and coatings, plastics, paper, with minor uses in inks, rubber, fibre, food and pharmaceuticals as well as specialty uses. Paints and coatings and plastics account for approximately 80% of consumption and are the market sector drivers.

In 2011, the global TiO<sub>2</sub> industry will generate USD12 billion from consumption of 5.7 million tonnes of TiO<sub>2</sub> units. In 2010, global TiO<sub>2</sub> pigment prices rose ~14%, and 15% increases in 2011 are considered achievable. With additional production now triggered, a more steady growth of 3-6% is forecast as sustainable beyond 2011.

The mineral feedstocks for TiO<sub>2</sub> are:

- Rutile of composition >95% TiO<sub>2</sub>;
- Leucoxene general term given to minerals with >80% titanium oxides and silicates; and
- Ilmenite, an iron titanium oxide which can have TiO<sub>2</sub> content ranging from 40% to 80%.

Various beneficiation routes, in two broad categories of sulphate and chloride process paths, are determined by the TiO<sub>2</sub> content of the minerals. Ilmenite price in the various end user markets seeking different composition ranges and different mineral characteristics, depends of TiO<sub>2</sub> content, and hence the notion of pricing "TiO<sub>2</sub> units". Rutile TiO<sub>2</sub> units are most highly priced as no intermediate processing is required for pigment manufacturing. Low grade ilmenite with the lowest TiO<sub>2</sub> units/tonne are the lowest priced feedstocks.

#### 5.4.1 Titanium Dioxide Price Forecasts

##### TZMI Market Forecasts

The Toliara project is based on two ilmenite products, one mostly suited to sulphate route processing and others suited to chloride route processing. TZMI use an average long term forecast price of ~USD 150 per tonne (/t). TZMI are one of the leading forecasters in the titanium dioxide and zircon markets. Their pricing forecasts are widely quoted throughout the sector and their forecasting credibility is highly ranked by the sector.

In the global section, the long term average price for sulphate route ilmenite is forecast by TZMI as ~USD150/t. The first half of 2011 saw increases to USD130-150/t with a spot price mid-year of USD160/t and as high as USD170/t in the Chinese domestic market.

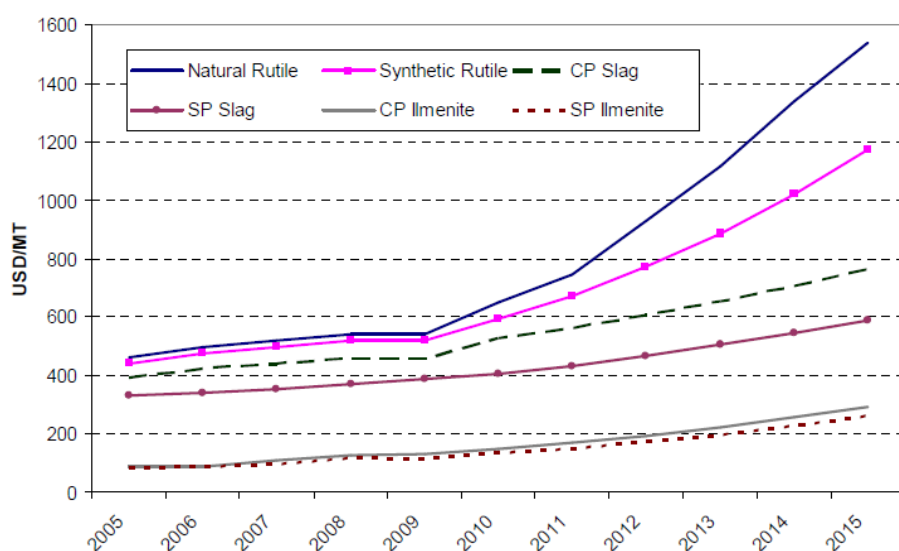
## BB&T Capital Markets TiO<sub>2</sub> Forecasts

BB&T Capital Markets in their March 2011 report, note TiO<sub>2</sub> inventories shrank to record lows in 2010, following the global financial crisis and extremely negative market conditions in prior years, which forced production cut-backs and shut-downs. Feedstock supplies tightened in line with diminished pigment consumption. The rate of recovery in supply has been substantially outstripped by demand when the turnaround in sentiment came in late 2010, resulting in rapidly escalating TiO<sub>2</sub> feedstocks and pigment prices.

Feedstock price rises have reached levels that support investment in additional resource developments (eg Grande Cote, Senegal), reopening of idled mines (eg Eneabba, Western Australia), expansion of existing mines (eg Mandena, Madagascar and Moma, Mozambique) and accelerated bankable feasibility studies, progressing to final investment decision (eg Kwale, Kenya and Toliara, Madagascar).

Noting the severe downturn and strong, sharp recovery, BB&T forecast that a sustained positive cycle, similar in duration to the 1984-1990 cycle might be foreseen. This cycle was marked by 6 years of strengthening prices. BB&T price forecasts for ilmenite and rutile predict stronger prices to 2015 than TZMI's forecast prices per below.

**Figure 5: TiO<sub>2</sub> Feedstock Prices 2005-2015E**



Source: IBMA & BB&T Capital Markets in BB&T Mar'11

## Iluka Pricing

In June 2011, Iluka Limited (Australia's largest and one of the world's leading heavy minerals producers) announced major increases (70-75%) in TiO<sub>2</sub> prices and zircon (30-40%) prices for the latter half of 2011. The sharp increase follows the trend in pigment prices and reflects the extreme shortage of TiO<sub>2</sub> feedstocks and the rapid turnaround in demand from an extraordinarily low market. Iluka Limited quotes Australian rutile prices as USD540/t in January 2010 rising sharply in the second quarter of 2011 to reach USD1,310 in July 2011.

## Credit Suisse TiO<sub>2</sub> Feedstocks and Zircon Price Forecasts

For TiO<sub>2</sub> feedstock Credit Suisse forecast the market to approach a balance between supply and demand from 2015 and a long term ilmenite price of ~USD150 per tonne. They forecast very strong price rises to USD325/t in the second half of 2012 and a tailing off after that.

**Figure 6: Zircon, Rutile and Ilmenite Quarterly Price Forecasts**

			1Q-11	2Q-11	3Q-11	4Q-11	2011E	1Q-12	2Q-12	3Q-12	4Q-12	2012E	2013E	2014E	LT (2011 real)
Zircon bulk	New	US\$/t	1,300	1,600	2,200	2,650	1,938	3,200	3,300	3,400	3,500	3,350	3,350	2,350	1,400
	Old	US\$/t	1,300	1,550	1,750	2,000	1,650	2,250	2,400	2,550	2,700	2,475	2,575	1,775	1,400
	Chg	%	0%	3%	26%	33%	17%	42%	38%	33%	30%	35%	30%	32%	0%
Rutile bulk	New	US\$/t	770	770	1,325	1,325	1,048	1,600	1,600	1,650	1,650	1,625	1,625	1,250	850
	Old	US\$/t	750	750	1,000	1,000	875	1,000	1,000	1,000	1,000	1,000	925	850	850
	Chg	%	3%	3%	33%	33%	20%	60%	60%	65%	65%	63%	76%	47%	0%
Ilmenite (sulphate 54%)	New	US\$/t	140	180	250	250	205	300	300	325	325	313	275	190	150
	Old	US\$/t	140	180	200	200	180	200	200	180	180	190	160	150	150
	Chg	%	0%	0%	25%	25%	14%	50%	50%	81%	81%	64%	72%	27%	0%

Source: Iluka, Credit Suisse in Credit Suisse Jul'11

#### 5.4.2 Zircon Market

Zircon is used for high temperature glazes and refractories. More than half is consumed by the ceramics industry, zirconia and zirconium chemicals account for ~18% of production, refractory and foundry uses, collectively consume 22% and small quantities are used in specialty glasses and other uses.

The zircon production peak of 1.7 Mt in 2007 is not anticipated to be repeated over the coming decade and zircon annual supply of approximately 1 Mtpa is forecast to 2020, with new supply replacing declining resources, currently in production. This steady supply/demand balance is forecast to reflect in a steady price increase after the current aberrations in the market re-balance over the the next two to three years. In the period to 2014, TZMI see zircon prices as being unpredictable.

Iluka Limited quotes price changes for Australian zircon as USD829/t in January 2010 and USD2,200 in July, 2011.

Credit Suisse forecast zircon prices to peak around USD3500 per tonne. CS regard the major price adjustment in mid 2011 as a short term aberration and expect the market to correct to a more steady 20% per quarter increase and in 2012 to settle at 3% increase per quarter as supply aligns with demand.

#### 5.4.3 Comment on TZMI Price Assumptions

The average ilmenite product price assumption by TZMI ~USD150/t is substantially less than the Credit Suisse second half 2011 forecast of USD275. Credit Suisse forecasts the price drop to come in 2014 back to the levels more in line with TZMI's forecast for 2013. Forecast BB&T Capital Markets forecast ~USD190/t for sulphate route ilmenite and ~USD210/t for chloride route ilmenite. Extrapolating BB&T's forecast of a prolonged growth market in pigment prices similar to 1984-1990, BB&T would expect the drop off in TiO<sub>2</sub> feedstock price to happen around 2016.

Given the exceptionally sharp turnaround in TiO<sub>2</sub> feedstock prices in the past year, and the obvious imbalance of supply and demand, all price forecasting for the next five years will come with a caveat of high volatility, low predictability expectations. TZMI's use of the long term ilmenite price of ~USD150/t is considered conservative and prudent for use at scoping study stage evaluation by IFL. The consensus of TiO<sub>2</sub> market analysts is that higher prices than USD150/t to 2014-2016 are forecast.

The ratio of zircon to rutile in the mixed concentrate product from Toliari is 3:1. TZMI forecasts a price for the concentrate in 2013 of USD1490/t. This is the forecast price received net of processing costs for an external processor to produce pure rutile and zircon products. Credit Suisse forecast a price of USD3,350/t for zircon in 2013 and a price of USD1,625 for rutile in the same year. Their long term average price for zircon is USD1,400/t and for rutile USD850/t.

Based on Credit Suisse forecasts, the Toliara zircon/rutile mixed concentrate would be priced at USD2,920/t prior to processing costs. Processing costs are unknown.

## 5.5 Key Personnel

The board members and key management of WTR are outlined in the table below.

**Table 16: Board members and key management**

Name & Position	Description
Peter Woods, Non-Executive Director & Chairman	Peter Woods BSc (Hons Geology) PhD (Geology) has > 20 years experience in the mining and exploration industry specialising in base metals, gold and industrial minerals, and as a consulting geologist and environmental scientist. He has worked in Madagascar since 1994. He discovered the Ranobe mineral sand deposit and is a founding director of WTR.
Guy Le Clezio, Non-Executive Director	Guy Le Clezio BA has > 20 years experience in finance and the mining and exploration industry. He was an Executive Director of Eyres Reed Ltd and Canadian Imperial Bank of Commerce, two leading stockbrokers specialising in the mining industry. He has previously held directorships of Australian publicly listed companies. Guy is a founding director of WTR.
Tristan Davenport, Non-Executive Director	Tristan Davenport trained at De Beers' London Office as a diamond sorter and studied diamond gemology at the Gemological Association of Great Britain. He has worked with America Mineral Fields in the Democratic Republic of Congo (DRC) and Zamgold in Zambia. He also established and managed laboratories in Finland and Norway to process project samples and has overseen projects in the DRC, Sierra Leone and Madagascar for various companies.
Wayne Malouf, CEO & Executive Director	Wayne Malouf BA & JD (Texas) MA Social Sciences (Chicago) From 2002 to 2008 he was CEO and later Executive Vice-Chairman of Sierra Rutile Limited (part of the Boule Titanium Resources Group), one of the world's largest rutile producers. He oversaw the company's IPO listing on the AIM market of the London Stock Exchange and successful restart of the Sierra Rutile TiO <sub>2</sub> and the Sierra Minerals bauxite mines. From 2008 to 2010 he served as CEO and Chairman of Diamond Fields Resources (DFI), a Toronto Stock Exchange company, where he negotiated the joint venture for the Atlantis II Red Sea deposit, the largest known SEDEX deposit in the world. He serves as DFI's non-executive chairman. Wayne returned to TRG as Executive Chairman from August 2010 to January 2011 to implement improvements in the company's organisation and operations prior to his current appointments with WTR.
Goorodeo Sookun, Non-Executive Director	Goorodeo Sookun, MBA (Finance) (appointed June 2011) is a fellow of the Association of Chartered Certified Accountants (UK). Mr Sookun has served in private and public companies during the last twenty years as Corporate Finance Executive in Mauritius and Africa in diverse sectors such as public utilities, agriculture and textiles, real estate development and mining. Before joining WTR, he was the Group Finance and Administrative Manager of AIM-listed Titanium Resources Limited. He is also currently the Director, CFO and Company Secretary of Diamond Fields International, a public company listed in Toronto. In Mauritius, Mr Sookun is the Head of Finance of the largest Real Estate Development in the Anahita Integrated Resort Scheme Development promoted by the CIEL Group.
Ian Ransome, Non-Executive Director	Dr Ian Ransome is a geologist, whose academic qualifications include an MSc in geochemistry and a PhD in geology. He has more than 20 years' experience as an exploration geologist, using a multidisciplinary approach to generating and evaluating exploration targets in diamonds, gold, nickel, base and rare metals. Most of his experience has been in a broad range of African countries, including a nickel laterite project in Madagascar. Dr Ransome is presently a director and chief executive officer of Diamond Fields International Ltd.
Graeme Boden, Corporate Secretary	Graeme Boden BEcon (Monash) has >33 years experience in corporate structure, organisation and management, including 14 years as Corporate Secretary of several ASX listed companies, 12 years as a director of ASX companies and extensive experience in mergers and acquisitions. He is a fellow of the Australian Institute of Company Directors and former fellow of Certified Practising Accountants Australia and the Taxation Institute of Australia.

Name & Position	Description
Jules Le Clezio, Country Manager	Jules Le Clezio has lived in Madagascar for >14 years, and is WTR's country manager with strong networks. He has in-depth knowledge and experience in establishing and managing companies in Madagascar, and has been involved in all aspects of WTR's operations. He was instrumental in forming the Association for the Development of Industrial Mining in Madagascar (now the Chamber of Commerce) and establishing the Australian Doctors of Africa in Madagascar. In 2006 Jules was appointed as an Australian government consular warden for Madagascar.

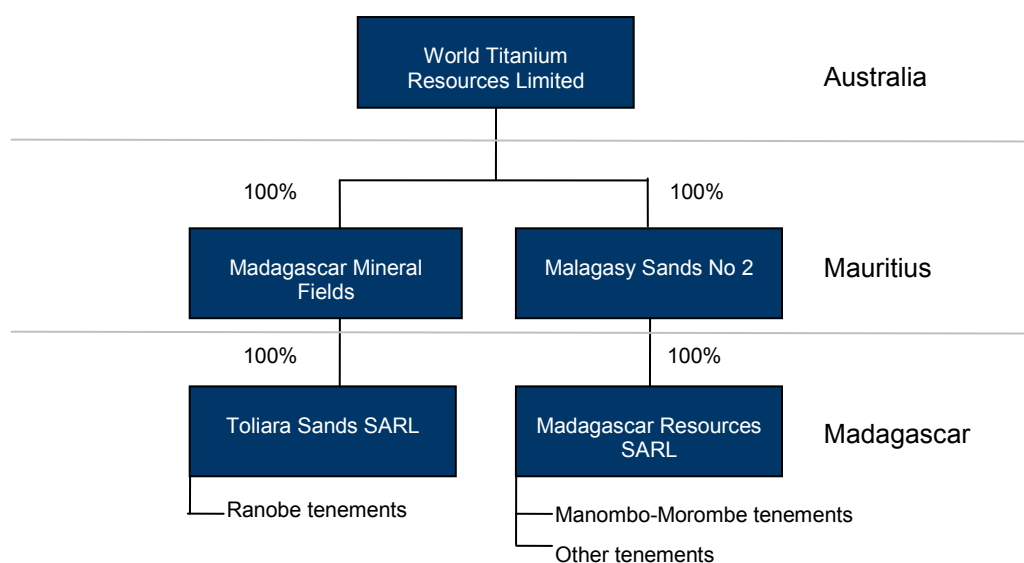
Source: WTR

## 5.6 Ownership and Capital Structure

WTR is incorporated in Australia and based in Perth is a public unlisted company with 86 shareholders. Its directly held subsidiaries Madagascar Mineral Fields Limited and Malagasy Sands No. 2 Limited are incorporated in Mauritius. The Malagasy subsidiaries that directly hold the exploration and mining tenure, Toliara Sands SARL (Incorp. 1994, formerly named Exploitation Madagascar SARL) and Madagascar Resources SARL (Incorp. 2010) were incorporated in Madagascar.

WTR's corporate structure is set out below.

**Figure 7: WTR Corporate Structure**



Source: WTR

As at 30 June 2011, WTR had 73,219,870 shares on issue. The top 10 shareholders are summarised below.

**Table 17: Top 10 Shareholders as at 30 June 2011**

Shareholder	Number of Ordinary Shares held	Percentage held of issued Ordinary Capital
Boulle Titanium Ltd	21,801,555	29.78%
Quantum Holdings Pty Ltd	4,177,779	5.71%
Running Water Ltd	4,050,001	5.53%
Larkhill Pty Ltd atf M C Turner Family Trust	3,375,000	4.61%
Jules Le Clezio	2,400,000	3.28%
J P Morgan Nominees Australia Limited	2,000,000	2.73%
Boden Corporate Services Pty Ltd <Boden Family A/C>	1,944,000	2.66%
Graham Robert Forward Pty Ltd ATF The GJ Family Trust	1,922,222	2.63%
Guy Francois Marie LeClezio	1,833,333	2.50%
Raymond Marie Marc Hein	1,633,334	2.23%
Top 10 Shareholders	45,137,224	61.65%
Other Shareholders	28,082,646	38.35%
<b>Total Issued Shares</b>	<b>73,219,870</b>	<b>100.00%</b>

Source: WTR

The top 10 shareholders hold 61.65% of the total shares on issue in WTR, whilst the remaining shareholders hold parcels which are individually less than 2.5% of the total shares on issue.

Boulle, a shareholder since 1999 and part of the Boulle Mining Group, will hold more than 20% of Bondi post the Reverse Takeover. The Boulle Mining Group has a track record of discovering a number of mineral deposits, including the Voisey's Bay nickel/copper/cobalt deposit in Canada; the Kolwezi copper/cobalt tailings and Kipushi zinc deposits in the DRC, heavy minerals (titanium dioxide minerals and zircon) and bauxite deposits in Sierra Leone, diamond deposits in Namibia and heavy minerals deposits in Madagascar. The projects cover both newly discovered, established deposits and operating mines, and are developed through privately and publicly held company partially or wholly owned by Jean-Raymond Boulle. Jean-Raymond Boulle is an internationally recognized entrepreneur. He founded Diamond Fields Resources, Ltd., Diamond Fields International, Ltd., America Mineral Fields, Inc., and Titanium Resources Group, Ltd., four publicly-traded companies.

The following unlisted options which are exercisable over unissued shares in WTR were outstanding.

**Table 18: Issued Options**

Issue Date	Pre-Merger Number of Options	Pre-Merger Exercise Price	Post-Merger Number of Options	Post-Merger Exercise Price	Expiry Date
15-January-2010	250,000	AUD 0.10	to be exercised prior to merger		
12-October-2011	250,000	AUD 1.00	875,000	\$ 0.29	31/03/2015
<b>Total Issued Options</b>	<b>500,000</b>		<b>875,000</b>		

Source: WTR

We have been advised that the holders of the options dated 15 January 2010 intend to exercise them prior to implementation of the Scheme and Reverse Takeover, assuming shareholder and court approvals, and as a result we assume that they have been exercised for the purposes of our analysis. As the options dated 12 October 2011 are out of the money we have assumed that they will not be exercised prior to the merger.



At 30 June 2011, the following warrants were exercisable over the unissued shares in WTR were issued.

**Table 19: Issued Warrants**

Issue Date	Pre-Merger Number of Warrants	Pre-Merger Exercise Price	Post-Merger Number of Warrants	Post-Merger Exercise Price	Expiry Date
15 January 2010	426,300	USD 1.00	1,492,050	USD 0.285	21 June 2013
<b>Total Issued Warrants</b>	<b>426,300</b>		<b>1,492,050</b>		

Source: WTR

We have assumed that the warrants will not be exercised prior to the transaction as they are out of the money currently.

## 5.7 Recent share transactions in WTR

There have been two recent capital raisings completed by WTR. Boule participated in, and underwrote the April-May raising.

### 5.7.1 Rights Issue

WTR undertook a pro rata rights (1 new share for each 9 shares held) issue via prospectus in April-May 2011, issuing 6,318,320 shares for AUD 1,579,580. This number of shares represented 10% in the enlarge capital. This issue was conditionally underwritten by Boule to the amount of AUD 1,500,000. At the completion of the April-May issue, Boule's interest was 29.78%. The rights issue was completed at AUD 0.25 per share.

### 5.7.2 Share Placement

GMP Securities Europe LLC (**GMP**) was appointed by WTR to determine the funding alternatives that might be available to WTR to develop Toliara. Post the rights issue and prior to agreement for a Scheme and Reverse Takeover with Bondi, GMP commissioned TZMI to undertake scoping study (which was reported in a Toliara Scoping Study update and valuation). Subsequently in June 2011 7.105 million shares at USD1 per share were placed successfully raising USD7.101 million.

## 5.8 Historical Profit and Loss

The profit and loss statements for the past 3 years are detailed below.

**Table 20: WTR's Historical Profit and Loss**

	FY2009	FY2010	FY2011
	Actual	Actual	Actual
	\$	\$	\$
<b>Revenue</b>			
Net financial income	112,962	154,646	336,103
Other income	-	84,522	11,549
<b>Total Revenue</b>	<b>112,962</b>	<b>239,168</b>	<b>347,652</b>
<b>Expenses</b>			
Accounting, taxation and secretarial services	155,085	189,631	380,492
Exploration and evaluation	-	139,312	112,624
Geological and logistical consulting services	-	336,350	557,074
Office expenses	53,633	335,764	486,146
Other expenses	5,960	204,354	512,176
Personnel expenses	72,050	46,074	53,155
<b>Total Operating Expenses</b>	<b>286,728</b>	<b>1,251,485</b>	<b>2,101,667</b>
<b>EBITDA</b>	<b>(173,766)</b>	<b>(1,012,317)</b>	<b>(1,754,015)</b>
Depreciation and Amortisation	1,087	17,158	10,381
<b>Net Profit Before Tax</b>	<b>(174,853)</b>	<b>(1,029,475)</b>	<b>(1,764,396)</b>

Source: WTR



## 5.9 Historical Balance Sheet

We detail below the Balance Sheet for the last 3 years.

**Table 21: WTR's Historical Balance Sheet**

	30 Jun 2009	30 Jun 2010	30 Jun 2011
	\$	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	1,294,755	353,938	6,951,389
Trade and Other Receivables	173,172	356,866	-
Other current assets	-	-	307,504
<b>Total Current Assets</b>	<b>1,467,927</b>	<b>710,804</b>	<b>7,258,893</b>
<b>Non Current Assets</b>			
Other Investments	360,000	440,000	390,000
Other Receivables	744,484	621,881	528,151
Intercompany Loan Receivable	-	-	(4,464)
Property, plant and equipment	25,938	28,358	41,732
<b>Total Non-Current Assets</b>	<b>1,130,422</b>	<b>1,090,239</b>	<b>955,419</b>
<b>Total Assets</b>	<b>2,598,349</b>	<b>1,801,043</b>	<b>8,214,312</b>
<b>Current Liabilities</b>			
Trade and other payables	144,757	136,069	265,251
<b>Total Current Liabilities</b>	<b>144,757</b>	<b>136,069</b>	<b>265,251</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	-	-	16,092
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>16,092</b>
<b>Total Liabilities</b>	<b>144,757</b>	<b>136,069</b>	<b>281,343</b>
<b>Net Assets</b>	<b>2,453,592</b>	<b>1,664,974</b>	<b>7,932,969</b>
<b>Equity</b>			
Issued capital	3,916,580	3,916,580	12,141,670
Reserves	309,423	550,585	357,938
Accumulated losses	(1,772,411)	(2,802,191)	(4,566,639)
<b>Total Equity</b>	<b>2,453,592</b>	<b>1,664,974</b>	<b>7,932,969</b>

Source: WTR



## 6. Valuation of WTR Shares

In section 4.1 we discussed a number of valuation methodologies to estimate the value of a company. The primary factor in determining which methodology is appropriate is the actual practice adopted by purchasers of the type of businesses and assets involved. Among the methods used for companies such as WTR are:

- Discounting projected cash flows (DCF); WTR has a JORC level resource and a scoping level study with cash flows for a 19 year mine life with some data drawn from bankable feasibility study, with updated capital and operating costs estimates and product price forecasts. This data is suitable for DCF methodology to derive a net present value (NPV) for the project;
- Market-based values; WTR is an unlisted company. Its capital raisings in the first half of 2011 (discussed in section 5.7) give some indication as to the value which existing and new shareholders and their corporate advisers GMP Securities Europe LLC considered worthy of investment. These market based indications were based on the Toliaro mineral resources for the April-May raising and the scoping study cash flows, discounted for the perceived risk factors, for the June placement;
- Comparable transactions; Base Resources acquisition, bankable feasibility study, final investment decision to construct the Kwale (Kenya) heavy minerals mining project, provides a comparable example and is cited as an example of a former definitive feasibility study being upgraded within 12-18 months and project funding being achieved;
- Industry rules of thumb; heavy mineral sector specialists such as TZMI calculate a global average value per heavy mineral reserve tonne as USD13.55/t in 2015 (Toliara states only resources at this stage); and
- Replacement or residual value analysis. The cumulative Toliara project expenditure at the time Exxaro terminated its option to acquire the project was USD17 million. WTR has committed further expenditure since then in scoping studies and legal and corporate expenses to position the project for a bankable feasibility study and future development. IFL total estimated replacement cost is USD20 million.

### 6.1 Discounting projected cash flows

In the case of WTR, IFL's primary approach to the valuation of the project was the application of a DCF, however, given the early stage WTR's project, this is a fundamentally subjective exercise. Use of the DCF methodology for an early-stage venture is highly judgmental and subject to considerable uncertainty. Alternative valuation methodologies have also been considered as evidence of the value of WTR.

### 6.2 The discounted future cash flow method

The NPV of the projected cash flows of a business or DCF methodology is based on the premise that the value of the business is the present value of future after-tax cash flows. It requires an analysis of revenue, expenses, investment (cash balances, working capital movements, capital expenditure budgets etc), capital structure and cost of capital, and any residual value remaining at the end of the projected period.

In undertaking the DCF methodology to value WTR, we have used the adjusted future cash flows of WTR, based on current projections prepared by WTR and have determined the following:

- An appropriate discount rate by reference to market information on current „risk free“ interest rates, market rates of return on investments, listed public company beta coefficient measures (adjusted for the differences between the entities identified and WTR) and expected inflation rates;
- The „terminal“ value of the future cash flows based on the maintainable future cash flows of the business, revenue and earnings growth rates of the business and comparable listed company capitalisation rates and growth rates; and
- The value of any surplus assets.

Set out below are the key parameters and our considerations with respect to each of the above.

### 6.3 Future cash flows of WTR

IFL notes that the directors of WTR have prepared projections from TZMI's modelling of 19 years of production beginning in 2013-14 (**the Projections**). As discussed in section 5.2 these projections were reviewed by Ausenco. Ausenco suggested adjustments to capital and operating costs and IFL has adopted these recommended changes as below:

- The TZMI July 2011 model numbers for revenue are unchanged;
- The operating costs for dry mining and earth moving activities have been increased by 25%;
- Additional direct capital costs in initial development of USD11 million have been added and USD3 million for the year 10 expansion;
- Indirect capital costs have been increased from 16% to 24% for EPCM and from 3% to 6% for reimbursable costs. The capital cost contingency of 25% remains the same; and
- Noting the Base Resources Kwale project example, it is assumed a bankable feasibility study can be completed within a year and that the investment decision to proceed to development will be made mid 2012 and that construction can be completed within a year.

We note the following with respect to the preparation of the Projections:

- They are stated in nominal terms;
- They are not geared; and
- They are pre-tax cash flows.

The key parameters and assumptions underlying the Projections are detailed below.

#### 6.3.1 Revenue

Revenue generation is for production and sales of an average of 400ktpa ilmenite and 43ktpa rutile and zircon concentrate from the Toliara resource:

- Ilmenite and rutile/zircon concentrate each contribute approximately 50% of sales;
- It has been assumed that the mine will commence production in 2013-2014; and
- TZMI revenues in USD have been converted at an exchange rate forecast to average AUD 1.00 = USD 1.03 which has been based on the Reuters Foreign Exchange Poll for September 2011.

#### 6.3.2 Forecast Capital and production costs

The capital costs relating to the opening of the mine have been forecast by WTR to be a total of USD155.1 million with USD 130.9 million spent 2012/13 and USD 24.2 million spent in 2022/23.

IFL has applied the Ausenco recommended adjustments to capital and operating cost estimates to the WTR Projections.

We note that the achievement of the Projections is inherently uncertain in the establishment of a new mine. We express no opinion as to whether or not the Projections will be achieved.

#### 6.3.3 Working Capital and Taxation

In order to complete our DCF valuation we have adjusted the cash flows to allow for working capital movements. We have also assumed an income tax rate of 30% for the purposes of determining an after tax cash flow.

### 6.4 Discount rates

The choice of discount rate for the purpose of a discounted cash flow valuation is typically based on the weighted average cost of capital (**WACC**) used to fund the investment or enterprise, comprising both equity plus debt. For the purposes of our valuation we have assumed 100% equity funding.

The nominal after-tax discount rate applied by IFL to discount the projected future cash flows of WTR is 18.6% (**High Value**) to 22.1% (**Low Value**).

In selecting the above ranges we have considered the following:

- The required rates of return on listed company in a similar business;
- The specific business and financing risks of WTR; and
- The indicative rates of returns required by suppliers of venture capital.

Details of IFL's calculation of the WACC of WTR are set out in Appendix B. We consider that the above discount rate reflects the risks and benefits of WTR given the underlying assumptions and cash flows of the business.

## 6.5 Terminal value and surplus assets

### 6.5.1 Terminal Value

The terminal value estimates the value of the ongoing cash flows after the forecast period. We have assumed a nil terminal value for the project despite there being additional resources outside the chosen mine plan for the 145Mt resource chosen for the initial project plan. The mineral separation plant, transport and port facilities could remain viable for ongoing operation at the end of the 19 year mine life depending on future economic conditions.

### 6.5.2 Surplus assets

Surplus assets are assets that form part of a business entity or company but do not contribute to the earnings or cash flow generation capacity of that business or company. These are assets which, if sold, would not impact on the revenue or profit generating capacity of the entity. We have treated cash of \$6.95 million as a surplus asset for the purposes of our valuation as the discounted cash flow valuation assumes 100% of the capital for the project is raised.

## 6.6 Discount for marketability

A discount for a lack of marketability has been applied as shares in an unlisted company are valued at a significant discount to shares in comparable listed company. In practice marketability discounts range between 35% to 50% based on US studies. We have applied a discount for marketability of 15% to WTR as we consider that there is a level of liquidity in the shares of the business given the strong interest in heavy mineral commodities as evidence by a recent capital raising and the fact that they have 84 shareholders.

## 6.7 Valuation

IFL's value of WTR derived from the discounted cash flow method is summarised as follows:

**Table 22: Summary of Valuation**

	Ref.	Low Value \$ million	High Value \$ million
<b>Enterprise value</b>		<b>37.48</b>	<b>64.97</b>
Add surplus assets	6.5	6.95	6.95
Less debt		-	-
<b>Market value of equity</b>		<b>44.43</b>	<b>71.92</b>
Less discount for marketability (15%)	6.6	6.66	10.79
<b>Fair value of equity</b>		<b>37.76</b>	<b>61.13</b>
<b>Reorganised Issued Shares (million)</b>		<b>257.14</b>	<b>257.14</b>
<b>Fair Value per Share</b>		<b>0.147</b>	<b>0.238</b>

Source: IFL

## 6.8 Sensitivity analysis

The above values are sensitive to the discount rate and long-term growth rate assumed in the discounted cash flow valuation of WTR. Consequently any change in the discount rate and long-term growth rate has a significant effect on the company value.

The value applying higher and lower discount and long term growth rates to the business of WTR is summarised in the table below.

**Table 23: Enterprise Value Sensitivity Analysis – WTR**

After Tax Discount rate	Value \$000
15.0%	104,953
17.0%	80,967
19.0%	61,343
21.0%	45,166
23.0%	31,736
25.0%	20,517
27.0%	11,094

Source: IFL

## 6.9 Other Valuation Methods Considered

In considering the reasonableness of our assessed value of WTR based on the DCF method, we have applied a cross-check based on a recent share placement.

### 6.9.1 Recent Share Placement

GMP Securities Europe LLC (GMP) was appointed by WTR to determine the funding alternatives that might be available to WTR to develop the Toliara Sands Project (Toliara). As a result WTR recently completed a capital raising in June 2011. WTR raised capital through a placement of 7.105 million shares at USD 1 per share which equated to AUD 0.95 per share (AUD 1.00 = USD 1.05). This issue was mostly to new shareholders who were sophisticated and institutional investors. We believe that this provides support for the value of the shares in WTR.

## 6.10 Valuation Conclusion

We have estimated the fair market value of WTR to be in the range of \$37.76 million to \$61.13 million equating to a range of \$0.147 to \$0.238 per share.

## 7. Assessment of Fairness

In forming our opinion in relation to the fairness of the Scheme and Reverse Takeover, we have valued each component of the proposal being the fair market value of a Bondi share and the fair market value of the WTR consideration.

**Table 24: Fair Value**

	Ref	Unit	Low Value	High Value
Fair Market Value of a Bondi share	4.4	\$	0.034	0.036
Consolidation ratio (4 Bondi Shares for 1 consolidated share)	1.1		4.0	4.0
<b>Fair Market Value of a Bondi share (post-consolidation)</b>		<b>\$</b>	<b>0.135</b>	<b>0.142</b>
<b>Fair Value of WTR Share (after 3.5 for 1 conversion)</b>	6.7	<b>\$</b>	<b>0.147</b>	<b>0.238</b>
<b>Premium / (Discount)</b>		<b>\$</b>	<b>0.012</b>	<b>0.095</b>

Source: IFL

InterFinancial assessed fair market value of a consolidated merger Bondi share, on a control basis, is between \$0.135 and \$0.142 per share. By comparison, the assessed value of the consideration provided for under the Scheme and Reverse Takeover is between \$0.147 and \$0.238 per share. As demonstrated above, the value of the consideration being offered is more than the value of a Bondi share and as a result, the Proposal is considered fair and in the Best Interests of Bondi Shareholders.

## 8. Assessment of Reasonableness

As the Scheme and Reverse Takeover is fair, it is also reasonable. To assist Shareholders in their decision making process we have detailed the following:

- The likely advantages and disadvantages associated with the Scheme and Reverse Takeover; and
- Alternatives, including the position of Shareholders if the WTR Reverse Takeover does not proceed.

### Advantages of Approving the Scheme and Reverse Takeover

Set out below is a summary of the key advantages to the Shareholders of approving the Scheme and Reverse Takeover and components of the Scheme that facilitate the Reverse Takeover.

#### Achieving a higher underlying value per share

The underlying value for the Bondi shares offered to WTR shareholders is less than the underlying value of the WTR shares that are acquired. Effectively, Bondi Shareholders are acquiring WTR at a price less than its assessed underlying value.

#### Access to an advanced development project with the Code for Reporting of Mineral Resources and Ore Reserves (JORC) Resources, including measured resources

A key strategy of Bondi management has been to purchase a project that could be brought to final investment decision within a relatively short time frame and at relatively low cost. The Scheme and Reverse Takeover by WTR achieves this strategy. The Toliara project had a near complete bankable feasibility study in 2009, when Exxaro Ltd (**Exarro**) (major resource company with option to acquire Toliara and which had earned the right to exercise that option by expenditure of more than USD17 million) terminated its option to acquire Toliara. To date Toliara has had approximately USD20 million spent on defining the resources and undertaking beneficiation test work and completing feasibility studies.

#### Major shareholder with a track record in the commodity and the region

Through Boule Titanium Limited (**Boule**), the Boule Mining Group has 29.8% interest in WTR and would have 26.5% shareholding in Bondi after the Scheme and Reverse Takeover. The Boule Mining Group has a successful track record in the development and operation of mines around the world, particularly in Africa and including heavy mineral mines. The Boule Mining Group was responsible for the revival of Sierra Rutile mineral sands mine, post the civil war in Sierra Leone.

#### Retain an interest in Australian exploration assets and acquire an interest in Toliara

The Scheme and Reverse Takeover terms provide for the demerger of Bondi's Australian assets into a new company which will have the same shareholder structure as Bondi. It is the intention to distribute these new shares to Bondi Shareholders. This allows Bondi Shareholders to retain their interests in the Australian exploration assets and in addition have an interest in the Toliara Sands Project.

#### Improved Future Capital Raising prospects

The Merged Company is likely to have a market capitalisation of approximately AUD77.5 million. While there is no guarantee that this market capitalisation will be achieved this enlarged size places the Company in a wider investment market than a company with a market capitalisation of less than AUD20 million, which is Bondi's current status.

Raising capital for a project that is undertaking bankable feasibility studies and approaching final investment decision to undertake a cash flow producing venture, is a relatively easier task than raising capital for early stage exploration where no JORC Resource is known.

### Disadvantages

#### Dilution of interest

The Scheme Reverse Takeover of WTR will result in a dilution of interest of existing Shareholders in Bondi from 100% to 10.48%.

### **Addition of a Shareholder with Influence**

If the Scheme and Reverse Takeover is approved, Boule will hold 26.56% of the issued ordinary shares in Bondi. This is likely to provide Boule with the ability to influence decisions of the Company and potentially control future decision making.

### **Country risk**

Since July 2009, the government of Madagascar has been regarded as illegitimate. International development funding to the Malagasy government has ceased except for urgent humanitarian purposes. The government agencies responsible for the regulation and oversight of mining permits are underfunded and under-resourced potentially resulting in delays in permitting. Despite the political instability several large mining projects in the country have continued. WTR has in-country management and has continued operating without undue interruption.

### **Debt funding for project**

Currently, the international development finance agencies and banks are not providing funding to the Malagasy government. In these circumstances, it is unlikely that a mid-sized resources company could secure debt funding for the development of Toliara. It is our understanding that it is the intention of the Merged Company to raise equity funds for Toliara's development if the final investment decision is positive, following the completion of a bankable feasibility study.

## **Other Considerations**

### **Availability of alternative transaction**

Bondi has been actively seeking a resource and acquisition target such as WTR and its major asset, the Toliara Mineral Sands Project (**Toliara**). Bondi has signed a binding agreement to implement the Scheme and Reverse Takeover subject to Shareholder approval. This is an exclusive agreement and Bondi will not solicit any other offer during this period of the Scheme and Reverse Takeover. The Bondi Directors unanimously recommend the Scheme and Reverse Takeover as do the Directors of WTR. An alternative offer to the Scheme and Reverse Takeover is unlikely to emerge in these circumstances.

## **Shareholder circumstances**

IFL has not considered the effect of the Scheme and Reverse Takeover on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Scheme and Reverse Takeover from that adopted in this Report. Accordingly, individuals may reach different conclusions as to whether or not the Scheme and Reverse Takeover is in their individual best interests. The decision of an individual Shareholder in relation to the Scheme and Reverse Takeover may be influenced by their particular circumstances (including their taxation position) and accordingly, Shareholders are advised to seek their own independent advice.

## **Other Matters**

This Report has been requested by the Bondi Directors to assist the Shareholders in their decision to accept or reject the Scheme and Reverse Takeover.

This Report should not be used for any other purpose and IFL does not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

IFL acknowledges that this Report may be lodged by the Directors with the ASX.

## **Conclusion**

Based on the above, we have concluded that the Scheme and Reverse Takeover in the context of the Scheme, is "fair" having assessed the consideration paid is greater than the value of a Consolidated Bondi share, and as a result of being fair the transaction is also "reasonable".



## 9. Qualifications, Declarations and Consents

### 9.1 Qualifications

IFL provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and schemes of arrangements. IFL directors have prepared a number of public expert's reports since its formation in 1987.

The principal person responsible for preparing this Report on behalf of IFL is Brett Plant, BBus, MCom, FCA, he is a Director of IFL. Mr Plant has been actively involved in the preparation of this report. Mr Plant has in excess of 20 years experience in the commerce and the accountancy profession and has been involved in specialist corporate advisory services including company valuations, business sales, due diligence investigations, independent experts' reports as well as other corporate investigations for more than 10 years. Mr Plant has the appropriate experience and professional qualifications to provide the advice offered.

Paul has worked for more than 25 years in the corporate finance sector. Before joining IFL in 1997, he worked for Merrill Lynch's investment bank division, having previously headed the Research Department in a stock broking firm. Paul's area of expertise lies in valuation, pricing of and presenting companies in the best possible light to ensure they are trading at fair market value. He is a Panel Member of the CPA National Valuation of Equity and Other Securities Forum Group.

Maree Klemm BSc(Hons) Geology FAusIMM, GAICD, FFin, a Director of IFL has >35 years of experience in the mining and financial services sectors, in operations, advisory and consultancy roles. She has worked throughout Australia in managerial roles for multinational corporations, private and publicly listed company. Her background in mining and equity capital markets includes advising on metalliferous, industrial minerals (including heavy minerals) and energy resource projects (including uranium); asset and share price valuations; strategic advice for merger & acquisition targets; investor relations strategies & corporate performance and research & analysis. Maree is a Fellow of the Australasian Institute of Mining & Metallurgy; a Fellow of the Financial Services Institute of Australasia, a Graduate Member of the Australian Institute of Company Directors and a Member of the Australian Resources & Energy Law Association.

### 9.2 Declarations

It is not intended that this Report should be used or relied upon for any purpose other than as an expression of IFL's opinion as to whether the Reverse Takeover is fair and reasonable and if the Scheme is in the best interests of the Shareholders as a whole. IFL expressly denies any liability to any Shareholder who relies or purports to rely on this Report for any other purpose and to any other party who relies or purports to rely on this Report for any purpose.

This Report has been prepared by IFL with care and diligence and the statements and opinions given by IFL in this Report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by IFL or any of its directors, officers or employees for errors or omissions however arising in the preparation of this Report, provided that this shall not absolve IFL from liability arising from an opinion expressed recklessly or in bad faith (unless the law otherwise requires).

IFL has had no involvement in the preparation of the Notice of Meeting and Explanatory Memorandum and has not verified or approved any of the contents of the Notice of Meeting and Explanatory Memorandum. IFL does not accept any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum or any other documents provided to the Shareholders (except for this Report).

### 9.3 Independence

IFL is entitled to receive a fee of \$55,000 (exclusive of GST) for the preparation of this Report. IFL is also entitled to be reimbursed for any out-of-pocket expenses incurred in the preparation of this Report. Except for this fee and

the reimbursement of these expenses, IFL has not received and will not receive any pecuniary or other benefit, whether direct or indirect, in connection with the preparation of this Report.

Neither the signatory to this Report nor IFL holds securities in Bondi. No such securities have been held at any time over the last two years.

Neither the signatories to this Report nor IFL have had within the past two years any business relationship material to an assessment of IFL's impartiality with Bondi, or its associates, other than in connection with the preparation of two previous valuation reports and this Report.

Prior to accepting this engagement, IFL considered its independence with respect to Bondi and any of its respective associates with reference to ASIC Regulatory Guide 112 entitled "Independence of Experts". In IFL's opinion, it is independent of Bondi and its associates.

A draft of this Report was provided to Bondi and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review and there was no alteration to the methodology, evaluation or opinions set out in this Report as a result of issuing the draft.

## 9.4 Indemnity

Under the terms of our engagement, Bondi has agreed that no claim shall be made by Bondi or any of its subsidiaries against IFL, any of their directors, officers, partners, employees or agents (Indemnified Persons) to recover any loss or damage which Bondi or any of its subsidiaries may suffer by reason of or arising out of anything done or omitted in relation to the provision of the services by IFL, provided that such loss or damage does not arise from the negligence or wilful default of any of the Indemnified Persons. Bondi has unconditionally indemnified IFL and its related bodies corporate and their respective officers, employees and agents against any losses, claims, damages, liabilities, costs, expenses and outgoings whatsoever (Losses) which they may suffer or incur directly or indirectly arising out of:

- IFL relying on information provided by Bondi or any of its employees, agents or advisers; or
- Bondi failing to provide IFL with material information in relation to the Reverse Takeover or Bondi.

Further, Bondi must pay and must indemnify IFL against any Losses in relation to any investigations, enquiries or legal proceedings by ASIC or any other competent regulatory body arising out of, or in connection with, the Scheme and Reverse Takeover, including reasonable legal expenses and disbursements incurred by IFL and fees payable to IFL attributable to time reasonably spent by its staff assessed at its hourly rates to the extent that investigation, enquiry or legal proceeding is not caused by an act or omission of the Indemnified Persons.

## 9.5 Consents

IFL consents to the issuing of this Report in the form and context in which it is to be included in the Notice of Meeting and Explanatory Memorandum to be sent to the Shareholders. Neither the whole nor any part of this Report nor any reference thereto may be included in, or attached to, any other document without the prior written consent of IFL as to the form and context in which it appears.

IFL takes no responsibility for the content of the Notice of Meeting and Explanatory Memorandum or any other documents provided to the Shareholders, other than this Report.

Ausenco Limited and GEOCraft Pty Ltd have consented to the inclusion of reference to their respective reports in the form and context in which they appear.

## 9.6 Other

The opinion of IFL is made at the date of this Report and reflects circumstances and conditions as at that date. In particular, IFL provides no representations or warranties in relation to the future value of shares of Bondi.

Shareholders who are in any doubt as to the action they should take should consult their own independent professional advisers.

IFL has prepared a Financial Services Guide as required by the Act. The Financial Services Guide is set out at the beginning of this Report.

## Appendix A – Basis of Information

IFL has relied on the following information in the preparation of this Report:

- Bondi all public announcements, past 3 years historic financial information, joint venture agreements/acquisition agreements for exploration tenements. Other confidential correspondence, project presentations, taxation advice, financial model, and working papers;
- World Titanium Resource Ltd (WTR) share register and 3 year historic financial information;
- Legal opinion re Madagascar Resources NL:Exxaro Mineral Sands BV Option Agreement Grant Donaldson SC;
- Madagascar Resources NL Entitlement Issue Prospectus dated 6 April 2011, and the contained Independent Geologist's Report Madagascar Resources NL Toliara Sands Project by Andrew Milne GEOCraft Pty Ltd; the Legal Opinion Regarding Madagascar Resources NL Subsidiary Companies dated 30 March 2011 and its attached tenement schedule and tenement status;
- A statement from Bondi on 28 September 2011 that the tenement status for Toliara had not changed;
- Toliara Sands Project (TSP) Scoping Study Update 400,000tpa ilmenite for WTR, July 2011 by TZ Minerals International Pty Ltd (TZMI) Report No.426/523; and its forerunner;
- Toliara Sands Project (TSP) Scoping Study Update 400,000tpa ilmenite for clients of GMP Securities Europe LLC for June 2011 Raising by World Titanium Resources by TZ Minerals International Pty Ltd Report No.426/478;
- Responses to queries as to differences between the two reports via Bondi, from WTR and TZMI;
- Bondi Mining Ltd Toliara Mineral Sands Project Independent Technical Review dated 4 July 2011 by Ausenco Limited 2179-RPT-0001 Rev:A;
- Credit Suisse Metals and Bulks Quarterly 11 July<sup>11</sup>; and
- BB&T Capital Markets Titanium Dioxide Report (Jim Fisher) dated 30 March<sup>11</sup>.



## Appendix B – Discount Rate

### Overview

Selection of an appropriate discount rate to apply to the forecast cash flows of a company fundamentally is a matter of judgment. There is a formulaic approach that can and is derived by theory; however, a mechanistic application of financial theory can result in a discount rate that is not applicable in reality. Hence, it should be stressed that there is no "correct" discount rate. Despite the growing acceptance and application of various theoretical models, many company may rely on less sophisticated approaches and use relatively arbitrary "hurdle rates" which do not vary significantly over time despite interest rate movements.

The discount rate that IFL has adopted is reasonable relative to the rates derived from theoretical models and has been based on an estimated WACC. There are three main considerations to the determination of an appropriate WACC, namely cost of equity, cost of debt and debt/equity mix.

The cost of equity was derived from the Capital Asset Pricing Model (**CAPM**) methodology. The CAPM is probably the most widely accepted and used methodology for determining the cost of equity capital. However, while the theory underlying the CAPM is rigorous, the practical application is subject to shortcomings and limitations and the results of applying the CAPM model should only be regarded as providing a general guide.

### Weighted Average Cost of Capital (WACC)

The WACC is given by Officer's (1994) formula used to calculate an after-tax WACC under a dividend imputation system:

$$WACC = r_e \frac{E}{V} + r_d \frac{D}{V} (1 - t_c (1 - \gamma))$$

Where

V	sum of debt and equity values;
E	value of equity;
D	value of debt;
Re	cost of equity;
Rd	cost of debt;
$t_c$	the corporate tax rate; and
$\gamma$	the value of imputation tax credits (gamma)

This is an after tax discount rate to be applied to nominal ungeared after-tax cash flows.

### Overview of the CAPM Framework

The CAPM provides a theoretical basis for determining a discount rate that reflects the returns required by diversified investors in equities. CAPM is based on the assumption that investors require a premium for investing in equities above risk free investments (such as Australian government bonds). The premium is commonly known as the market risk premium and notionally represents the premium required to compensate for investment in the equity market in general.

The risks associated with an investment in a company can be classed as either specific risks or systematic risks. Specific risks are risks that are specific to a particular company or business and are unrelated to movements in equity markets. Systematic risk is the risk that returns from an investment or business will vary with market returns in general. If returns on an investment are expected to be perfectly correlated with returns on the market, then the return required on the investment would be equal to the return required from the market (ie. the risk free rate plus the market risk premium).

CAPM postulates that the return required on investment or assets can be estimated by applying to the market risk premium a measure of systematic risk described as the equity beta factor. The equity beta for an investment reflects the covariance of the return from that investment with the return from the market as a whole. Covariance is a measure of relative volatility and correlation. The equity beta of an investment represents its systematic risk only.

It is not a measure of the total risk of a particular investment. In general, an investment with an equity beta greater than 1 is riskier than the market and an investment with a beta of less than 1 is less risky.

The formula for deriving the cost of equity using CAPM is as follows:

$$Re = Rf + \text{Beta} (Rm - Rf)$$

Where

Re is the expected return on equity;

Rf is the risk free rate;

Beta is the equity beta factor;

Rm is the expected market return; and

Rm – Rf is the market risk premium.

The equity beta for a company is normally estimated by observing the historical relationship between returns from the company or comparable company and returns from the market in general.

## Risk-Free Rate

The risk-free rate can be defined as is a theoretical return on risk-free assets. Although a truly risk-free asset exists only in theory, in practice most professionals and academics use government bonds of the currency in question to estimate the risk-free rate – in this case Commonwealth Government bonds.

While it is theoretically correct to apply a series of spot rates for each cash flow for the duration of the forecast period, IFL recognizes that valuation methodology typically applies a single risk-free rate estimated by the yield-to-maturity of 10-year Commonwealth Government bonds. Similarly it is common industry practice to „match“ the maturity profile of the proxy for the risk-free rate to the maturity of the cash flows over the forecast period. Where the forecast period exceeds ten years, a practical estimation issue arises as to the bond maturity to use as an appropriate proxy. While longer-maturity bonds exist, IFL views that the 10-year Commonwealth Government bond is a widely used and accepted benchmark for the risk-free rate.

For the purpose of this report, IFL has adopted a risk free rate of 4.2%. The risk free rate approximates the average yield to maturity on 10 year Australian Government bonds.

## Market Risk Premium

The market risk premium ( $Rm - Rf$ ) represents the additional return that investors require to invest in equity securities as a whole over a risk free investment which is not observable and therefore a historical premium is used as a proxy. Australian studies have been limited but indicate that the long run average premium has been in the order of 6.8% measured over more than 100 years of data.

The market risk premium is not constant and may change over time as investors perceive that equities are more risky than at other times and will increase or decrease their expected premium.

A market risk premium of range of 6.0% to 6.5% has been assumed which IFL believes is within the range of generally accepted figures of long term market risk premiums in the Australian capital market.

## Equity Beta

Beta is a measure of the expected covariance (ie. volatility and correlation of returns) between returns on an investment and returns on the market as a whole. The conventional practice for estimating beta is to calculate a historical beta using past share price and market returns data and use it as a proxy for the future.

## Equity Beta estimate

To obtain an equity beta, IFL has considered Ordinary Least Squares (**OLS**) betas of heavy mineral project developers and explorers listed on ASX. The results are presented in Table 14 below:

**Table 25: Comparable Company Beta's**

Company	Enterprise Value (A\$m)	4 Year Beta - Monthly (unlevered)
Mineral Deposits Limited	262.5	1.30
Base Resources Limited	181.5	0.94
Industrial Minerals Corporation Limited	108.8	0.65
Image Resources NL	31.6	1.29
Gunson Resources Limited	29.5	1.00
Diatreme Resources Limited	24.0	1.19
<b>Average</b>		<b>1.06</b>

Source: Thomson One – 20 September 2011

## Gearing Levels

The project is not geared and is assumed to be entirely equity funded.

## Cost of Debt

The cost of debt should represent, for the purposes of evaluating a discount rate under the WACC/CAPM framework, the anticipated borrowing costs of the company over the forecast period. Typically, this is a „weighted average“ interest rate charged for the company's short- and long-term debt facilities.

## Imputation Credits (Gamma)

The WACC set out above assumes a "classical" tax system. The CAPM model is constructed to derive returns to investors after corporate taxes but before personal taxes. Under the US classical tax system, interest expense is deductible to a company but dividends are not. Investors are also double-taxed on dividends received.

Under Australia's dividend imputation system, domestic equity investors now receive a taxation credit (franking credit) for any tax paid by a company, hence eliminating the double taxation associated with US dividends. There are schools of economic thought that argue that the taxation benefits of dividend imputation should be incorporated into any analysis of value. However, Australian studies of the relative value of dividend imputation are controversial and have produced mixed results.

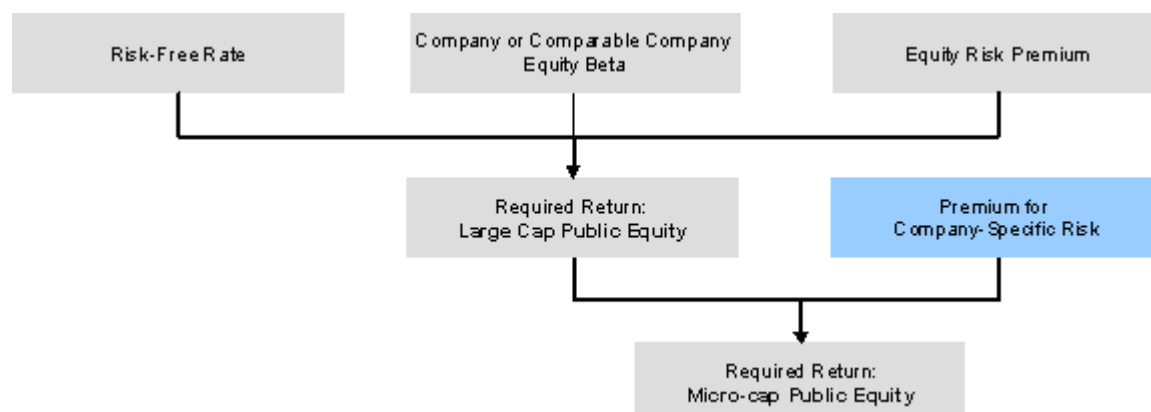
It is worth noting that franking credits can only be utilised in the hands of domestic Australian investors and to a lesser extent, superannuation funds who are eligible for a refund of unused imputation credits (provided that franking credit trading rules are met). Foreign investors are unable to access attached franking credits and hence attribute no additional value to franking credits.

While a number of studies point towards the proposition that some value should be attributed to dividend imputation, IFL considers that the evidence provided by the different schools of thought as to the value that investors attributes to dividend imputation is unclear and as a result we have attributed no value to the Imputation Credits.

## Specific Company Risk

A company's cost of equity as derived by the CAPM reflects the level of systematic (or non-diversifiable) risk borne by the company. It does not reflect non-systematic or company specific risks that are inherent in WTR's operations or structure and are unique to WTR. A specific risk premium adjusts the cost of equity for these company specific risk factors.

**Figure 8: WTR Specific company risk factors**



These company-specific risks in this particular situation include a number of the commercial risks discussed in this report but also include issues associated with the size and lack of liquidity in the stock. It also needs to account of quality for management, a management that has made some decisions in regard to strategy that would raise questions about the performance of the Company in the future.

## Summary of WACC Parameters

The table below summaries the parameters used and IFL's determined WACC range.

**Table 26: WACC**

Parameters/Estimate	Low	High
Equity beta (unlevered)	1.06	1.06
Equity beta (relevered)	1.06	1.06
Gamma ( $\gamma$ )	0	0
Market risk premium	6.0%	6.5%
Risk-free rate	4.2%	4.2%
Specific Company Risk	8.0%	11.0%
Post-tax cost of equity capital	18.6%	22.1%
Selected Capital Structure (debt/equity)	0.0%	100.0%
Weighted-average cost of capital (rounded)	18.6%	22.1%

Source: Thomson Reuters, IFL Analysis



## Appendix C – Companies in Heavy Minerals Sector

Company	Description
Mineral Deposits Limited	Mineral Deposits Limited is an Australia-headquartered company with a long history in heavy minerals. Developer of the Grande Cote Mineral Sands Project, Senegal.
Base Resources Limited	Base Resources Limited developer of the Kwale Mineral Sands Project, Kenya, which it acquired from Tiomin in early 2010
Industrial Minerals Corporation Limited	Industrial Minerals Corporation Limited owns 100% of Oregon Resources which is developing the Southern Oregon Special Mineral project near Coos Bay in southwest Oregon producing unique chromite branded as SpheriChrome.
Image Resources NL	Image Resources NL completed a scoping study of JORC resources in the North Perth Basin and plans to proceed to a feasibility study. Additional tenements and mineralisation in the Eucla Basin, WA. Image Resources has base and precious metals exploration interests.
Gunson Resources Limited	Gunson Resources Limited has reached FID on its Coburn heavy minerals (mostly zircon & ilmenite) project, WA and is seeking development capital. It has an advanced copper exploration project at Mt Gunson, SA
Diatreme Resources Limited	Diatreme Resources Limited has extensive exploration tenements for heavy minerals in the Eucla Basin in WA & SA. Scoping studies on Cyclone Project and proceeding to feasibility studies. Interest from potential JV partner. Other metalliferous exploration areas.

Source: Thomson Reuters







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## ANNEXURE C – TERMS AND CONDITIONS OF OPTIONS

1. Subject to paragraph 8 each option gives the optionholder the right to subscribe for one fully paid ordinary share in the capital of the Company (**Share**).
2. The options held by the option holder are exercisable in whole or in part at any time during the period from the date of issue until 31 March 2015 (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
3. Subject to paragraphs 9 and 10 the amount payable upon exercise of each Option will be \$0.285 (**Exercise Price**).
4. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the Exercise Price in cleared funds, following which the Company will, within 10 Business Days, allot the number of Shares in respect of the number of options specified in the notice.
5. The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
6. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the option holder dies, the legal personal representative of the deceased option holder may:
  - (a) elect to be registered as the new holder of the options;
  - (b) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and
  - (c) if the deceased has already exercised options, pay the Exercise Price in respect of those options.
7. An option holder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
8. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
9. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price of the Options may be reduced in accordance with the formula set out in Listing Rule 6.22.2.
10. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

## ANNEXURE D – TERMS AND CONDITIONS OF WARRANTS

1. Subject to paragraph 8 each warrant gives the warrant holder the right to subscribe for one fully paid ordinary share in the capital of the Company (**Share**).
2. The warrants held by the warrant holder are exercisable in whole or in part at any time during the period from the date of issue until 21 June 2013 (**Exercise Period**). Warrants not exercised before the expiry of the Exercise Period will lapse.
3. Subject to paragraphs 9 and 10 the amount payable upon exercise of each Warrant will be US\$0.285 (**Exercise Price**).
4. Warrants are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the Exercise Price in cleared funds, following which the Company will, within 10 Business Days, allot the number of Shares in respect of the number of warrants specified in the notice.
5. The Company will not apply for official quotation on ASX of the warrants. The Company will make application for official quotation on ASX of new shares allotted on exercise of the warrants. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the warrants will qualify for dividends declared after the date of their allotment.
6. Warrants can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the warrant holder dies, the legal personal representative of the deceased warrant holder may:
  - (a) elect to be registered as the new holder of the warrants;
  - (b) whether or not he becomes so registered, exercise those warrants in accordance with the terms and conditions on which they were granted; and
  - (c) if the deceased has already exercised warrants, pay the Exercise Price in respect of those warrants.
7. An warrant holder may only participate in new issues of securities to holders of ordinary shares in the Company if the warrant has been exercised and shares allotted in respect of the warrant before the record date for determining entitlements to the issue. The Company must give prior notice to the warrant holder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
8. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the warrant is exercisable will be increased by the number of ordinary shares which the holder of the warrant would have received if the warrant had been exercised before the record date for the bonus issue.
9. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Warrants, the Exercise Price of the Warrants may be reduced in accordance with the formula set out in Listing Rule 6.22.2.
10. If, during the currency of the warrants the issued capital of the Company is reorganised, those warrants will be reorganised to the extent necessary to comply with ASX Listing Rules.

## **ANNEXURE E – RIGHTS ATTACHING TO LYELL RESOURCES SHARES**

The share capital of Lyell Resources consists of ordinary shares. A summary of the more significant rights attaching to the Lyell Resources Shares is set out below. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Lyell Resources shareholders. The summary assumes that the Company is admitted to the Official List of ASX.

Full details of the rights attaching to all Lyell Resources Shares are set out in Lyell Resources' constitution, a copy of which is available on request.

### **a) General Meeting**

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Company's Constitution, the Corporations Act or the Listing Rules.

### **b) Voting**

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the Listing Rules, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by a representative has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll. A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. A member is not entitled to vote unless all calls and other sums presently payable by the member, in respect of shares in the Company, have been paid. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of members. No shares may be issued with voting rights more advantageous than those available to any previously issued shares.

### **c) Issues of Further Shares**

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Company's Constitution, the Listing Rules, the Corporations Law and any rights for the time being attached to the shares in special classes of shares.

### **d) Variation of Rights**

At present, the Company has on issue one class of shares only, namely ordinary shares. The rights attached to the shares in any class may be altered only by special resolution passed at a separate meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

### **e) Transfer of Shares**

Subject to the Company's Constitution, the Corporations Act and the Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with ASTC Settlement Rules, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act. The Company may decline to register a transfer of shares in the circumstances described in the Company's Constitution and where permitted to do so under the Listing Rules. If the Company declines to register a transfer, the Company must, within five business days after the transfer is lodged with the Company, give the lodging party written notice of the refusal and the reasons for refusal. The Directors must decline to register a transfer of shares when required by law, by the Listing Rules or by the ASTC Settlement Rules.

### **f) Partly Paid Shares**

The Directors may, subject to compliance with the Company's Constitution, the Corporations Law and the Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

### **g) Dividends**

The Company in general meeting may declare a dividend if the Directors have recommended a dividend, and a dividend shall not exceed the amount recommended by the Directors. The Directors may authorise the payment to the members of such interim dividends as appear to the Directors to be justified by the Company's profits and for that purpose may declare such interim dividends.

Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary shares) are to be declared and paid to those persons entitled to those dividends in proportions to the shares held by them respectively irrespective of the amount paid up or credited as paid up on the shares.

h) **Winding Up**

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, members (including holders of ordinary shares) will be entitled to participate in any surplus assets of the Company in proportion to the shares held by them respectively, irrespective of the amount paid up or credited as paid up on the shares.

i) **Dividend Plans**

The members of the Company, in general meeting, may authorise the Directors to establish and maintain dividend plans under which (among other things) a member may elect that dividends payable by the Company be reinvested by way of subscription for shares in the Company or a member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of shares.

j) **Directors**

The Company's Constitution states that the minimum number of directors is three.

k) **Powers of the Board**

The Directors have power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Company's Constitution.

## **ANNEXURE F- LYELL RESOURCES RISK FACTORS**

Shareholders should be aware that an investment in Lyell Resources is speculative and is subject to various risk factors. These risk factors are outlined below.

### **1. Specific Risks**

#### **(a) Exploration Success**

Shareholders should understand that mineral exploration and development are speculative undertakings. Even if an apparently viable resource is identified, there is no guarantee that it can be economically exploited.

#### **(b) Development and Operating Risks**

Development of any mineral deposit will require obtaining the necessary licences or clearances from the necessary authorities which may require conditions to be satisfied and/or the exercise of discretion by such authorities. It may or may not be possible for such conditions to be satisfied.

The operations of Lyell Resources may be affected by various factors, including without limitation, failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

#### **(c) Reserves and Resource Estimates**

Reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional exploration and development of Lyell Resources, the estimates may change. This may result in alterations to development and production plans which may, in turn, adversely affect Lyell Resources' operations.

#### **(d) Commodity Price Volatility and Exchange Rate Risks**

The revenue derived through the sale of commodities may expose the potential income of Lyell Resources to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of Lyell Resources. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

#### **(e) Environmental Risks**

The operations and proposed activities of Lyell Resources are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and production projects and mining operations, Lyell Resources' activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is Lyell Resources' intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in Lyell Resources' activities which could subject Lyell Resources to extensive liability.

#### **(f) Competition**

Lyell Resources will be competing with other companies in the resource sector many of which will have access to greater resources than Lyell Resources and may be in a better position to compete for

future business opportunities. There can be no assurance that Lyell Resources can compete effectively with these companies.

(g) **Insurance**

Insurance against all risks associated with mineral exploration production is not always available or affordable. Lyell Resources will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(h) **Reliance on Key Personnel**

The loss of any one or more of the directors could have adverse impact on the performance and prospects of Lyell Resources.

(i) **Future Capital Needs and Funding**

Further funding will be required by Lyell Resources to support its future activities and operations. Lyell Resources' ability to raise further capital (equity or debt) within an acceptable time, of sufficient quantum and on terms acceptable to Lyell Resources will vary according to a number of factors, including:

- (i) prospectively of new projects;
- (ii) the results of exploration and subsequent feasibility studies;
- (iii) sharemarket and industry conditions; and
- (iv) the price of the relevant commodities.

There can be no assurance that such funding will be available on satisfactory terms or at all.

Any inability to obtain finance will adversely affect to the business and financial condition of Lyell Resources and, consequently, its performance. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities.

**2. General Risks**

(a) **Share Market Conditions and Security Investment**

The market price of shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular resource stocks. Neither Lyell Resources nor the directors of Lyell Resources warrant the future performance of Lyell Resources or any return on investment in Lyell Resources.

There are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations and that have often been unrelated to the operating performance of such companies. These factors may materially affect the market price of the shares regardless of the company's performance.

Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of Lyell Resources. Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management.

Exploration by itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

(b) **Economic Risks**

There is a risk that the price of Lyell Resources Shares and returns to shareholders may be affected by changes in:

- (i) local and world economic conditions;
- (ii) interest rates;
- (iii) levels of tax, taxation law and accounting practice;
- (iv) government legislation or intervention; and
- (v) inflation or inflationary expectations.



## Lodge your vote:



**Online:**  
www.investorvote.com.au



**By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com

**For all enquiries call:**  
(within Australia) 1300 652 186  
(outside Australia) +61 3 9415 4148

## Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

**www.investorvote.com.au**



**Cast your proxy vote**



**Access the annual report**



**Review and update your securityholding**

**Your secure access information is:**



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

**For your vote to be effective it must be received by 11:00am (Adelaide time) Saturday 3 December 2011**

### How to Vote on Items of Business

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

#### Appointment of Proxy

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

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

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

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

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

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

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

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

### Attending the Meeting

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

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

**GO ONLINE TO VOTE,  
or turn over to complete the form →**



☐

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

# Proxy Form

Please mark ☒ to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

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

☐

the Chairman  
of the meeting **OR**



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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Bondi Mining Limited to be held at Level 2, 99 Frome Street, Adelaide SA 5000 on Monday 5 December 2011 at 11:00am (Adelaide time) and at any adjournment of that meeting.

## STEP 2 Items of Business



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

### ORDINARY BUSINESS

	For	Against	Abstain
1 Change in Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Issue of Options to WTR Optionholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Issue of Options to Proposed Directors of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Issue of Warrants to GMP Securities Europe LLP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Issue of Shares under Prospectus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Issue of Shares to Darren Morcombe under Prospectus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Consolidation of Shares and Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Change of Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Disposal of Murphy Uranium Pty Ltd Shareholding and Mount Owen Resources Pty Ltd Shareholding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 In Specie Distribution of Lyell Resources Limited Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date / /