

ENERGIO LIMITED

ACN 001 894 033

PROSPECTUS

For the offer of 11,250,000 Shares at \$0.20 each to raise a minimum of \$2.25 million (with the ability to accept over-subscriptions for up to 11,250,000 Shares at \$0.20 each to raise up to a further \$2.25 million) **(the Offer)**.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities.

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered speculative.**

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1. CORPORATE DIRECTORY

Current Directors

Dr Ian Burston – **Non-Executive Chairman**
Nathan Taylor – **Non-Executive Director**
Kevin Joseph – **Non-Executive Director**
Don Carroll – **Non-Executive Director**
Athan Lekkas – **Non-Executive Director**

Company Secretary

Sean Henbury

Principal Office

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BURSWOOD WA 6100
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ASX Code: EIO

Website

www.energio.net.au

Auditors*

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Share Registry*

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000

Australian Solicitors to the Company

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Building
16 Milligan Street
PERTH WA 6000

Nigerian Solicitors to the Company

Aluko & Oyebode
1 Muritala Muhammed Drive
Ikoyi, Lagos, NIGERIA

Investigating Accountant

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Independent Geologist

AI Maynard & Associates
Suite 9/280 Hay Street
SUBIACO WA 6008

* These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus.

2. IMPORTANT NOTICES

This Prospectus contains important information in relation to the offer of Shares in Energio Limited (ACN 001 894 033) (**Energio** or the **Company**). Defined terms used in this Prospectus are explained in the Glossary at the end of this Prospectus. This Prospectus is dated 14 December 2011 and was lodged with the ASIC on that date.

No responsibility as to the contents of the Prospectus will be taken by ASIC or its officers or the ASX.

The expiry date of this Prospectus is the date which is 13 months after the date of this Prospectus. No securities will be issued on the basis of the Prospectus later than the expiry date. The directors and advisers of the Company do not guarantee the success of the Company, the repayment of capital, the payment of dividends or the price at which Shares will trade on the ASX.

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia. The distribution of the Prospectus outside the Commonwealth of Australia may be restricted by law. Consequently, all persons who receive the Prospectus must inform themselves of all applicable laws and observe any such restrictions. The failure to comply with any applicable restrictions may constitute a violation of securities laws.

Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. This Prospectus is not intended to, and does not, constitute an offer of securities in any place in which, or to any person to whom, the making of such an offer would not be lawful under the laws of any jurisdiction outside Australia.

Applications for Shares may only be made on the relevant Application Form attached to the Prospectus in its printed copy form or as downloaded in its entirety from the Company's web site. It is recommended that the entire Prospectus be read before making a decision to invest. Investment in the Shares offered under this Prospectus should be considered speculative.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications for Securities under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

2.1 Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.energio.net.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must

be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company on +61 (08) 9486 2333.

2.2 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 11 of this Prospectus.

2.3 Competent Person

The information in this Prospectus that relates to exploration results is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences, a Corporate Member of the Australasian Institute of Mining & Metallurgy and independent consultant to the Company. Mr Maynard is the Director and principal of AI Maynard & Associates Pty Ltd and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Maynard consents to inclusion in the report of the matters based on his information in the form and context in which it appears.

2.4 Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

3. INVESTMENT OVERVIEW

3.1 Important Notice

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

3.2 Company Overview

The Company is currently listed on the ASX as a Toy and Gaming company. At the Annual General Meeting to be held on 30 November 2011, the Company will seek approval for a change to its activities.

As announced to the market on 4 April 2011, the Company has exercised its call option with TGP to acquire 100% of the fully paid ordinary shares in KCMH Australia from TGP. KCMH Australia holds 75% of the shares in KCM Nigeria which owns of a package of iron ore licences in Kogi State, Nigeria. The balance is held by Bedford, a non-related third party.

KCMH Australia is an Australian privately owned company which has been focussed on acquiring iron ore licences in Nigeria since 2007.

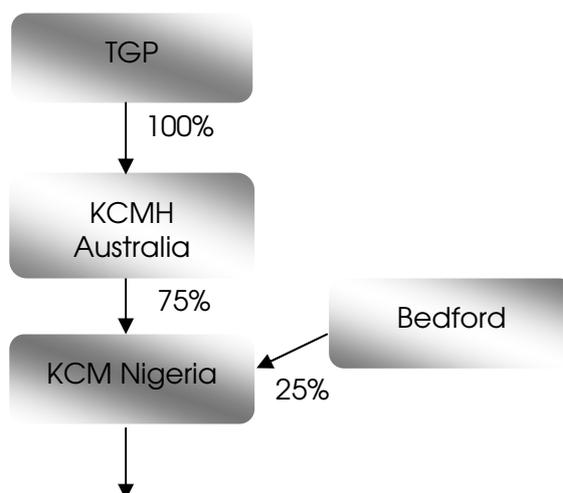
KCM Nigeria owns a package of recently granted exploration licences covering iron ore deposits in Kogi State, Nigeria (**Licences**). These Licences contain magnetite in banded iron formation (**BIF**) and iron rich oolitic deposits with an exploration target of 1.6 – 2.7 billion tonnes of potential iron mineralisation grading in the range of 48% to 53% iron. The potential quantity and grade is conceptual in nature at this stage as there has been insufficient exploration to define a Mineral Resource under the JORC Code. Further, it is uncertain if further exploration will define a Mineral Resource.

Subsequent to the Put and Call Deed, the Company executed the Share Sale Agreement with Bedford for the purchase of Bedford's shares in KCM Nigeria (being 25% of the total shares on issue).

Once completion occurs under the Agreements, the Company will have an effective 100% interest in the Nigerian iron ore projects owned by KCM Nigeria.

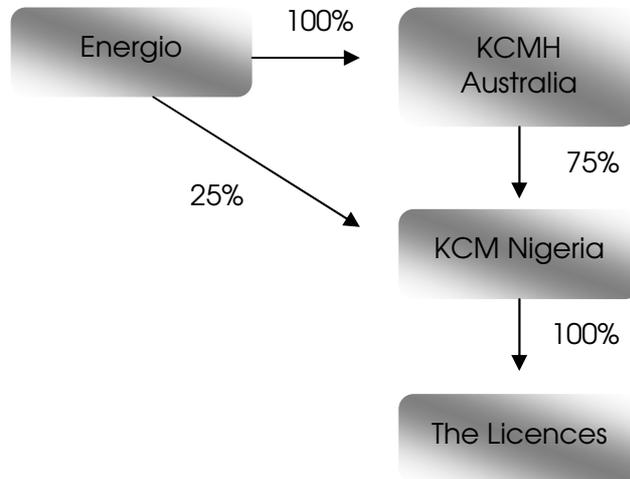
3.3 Group Structure

A group structure diagram illustrating the existing ownership structure of TGP and Bedford is set out below:



The Licences

On completion of the Transaction, the group structure will be as follows:



3.4 The Offer

By this Prospectus, the Company offers 11,250,000 Shares at \$0.20 each to raise a minimum of \$2,250,000. Additionally, the Company may accept over-subscriptions for up to 11,250,000 Shares at \$0.20 each to raise up to a further \$2,250,000.

The Offer is conditional upon satisfaction or waiver of certain conditions precedent contained in the Agreements, which are detailed further in section 12 of the Prospectus.

Refer to Section 5 for further details in relation to the Offer.

3.5 Indicative Timetable*

Lodgement of Prospectus with ASIC	14 December 2011
Opening Date	21 December 2011
Closing Date	5:00pm WST 28 December 2011
Despatch of Holding Statements	30 December 2011
Expected date for re-listing on ASX	5 January 2012

*These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act, the ASX Listing Rules and other applicable laws, to vary the dates of the Offer, including, but not limited to, extending the Closing Date or accepting late applications, either generally or in particular cases, without notifying you. You are encouraged to submit your application as soon as possible.

3.6 Purpose of the Offer

The purpose of this Prospectus is to:

- (a) assist the Company to meet the requirements of ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules; and
- (b) raise \$2,250,000 (up to \$4.5 million if over-subscriptions are accepted) pursuant to the Offer.

The Company is aiming to apply the funds raised in the Offer in the manner detailed below.

The Board believes that the funds raised from the Offer, combined with existing funds will provide the Company with sufficient working capital at anticipated expenditure levels to achieve these objectives as shown in the table below.

3.7 Business Model

Upon completion of the Transaction and the Offer, the Company will have a 100% interest (indirect) in various iron ore exploration licences located in Nigeria.

In the short to medium term after re-listing on the ASX, the Company intends to implement exploration work programmes on its existing projects while continuing to evaluate additional exploration projects both within Nigeria and elsewhere that the Directors consider could add value for Shareholders. These projects may be prospective for commodities other than iron ore.

The Board and its advisors have extensive networks within the resources industry which will assist in the search for additional projects of interest both in Australia and internationally.

In addition to the existing projects, the Company will review other acquisition and joint venture opportunities to secure new projects in the resources sector that meet the Company's objectives and strategies with the senior management having a long history of exploring internationally.

Further details in respect of the Company and its projects are set out in Section 6 of this Prospectus.

3.8 Use of Proceeds

It is intended that the funds raised from the Offer, together with the existing cash at bank of the Company and KCMH will be used as follows:

Funds available	Full Subscription (\$) (\$2,250,000)	Percentage of Funds (%)
Existing cash reserves ¹	6,100,000	73.01%
Funds raised from the Offer	2,250,000	26.93%
Funds from conversion of Options prior to Consolidation	5,000	0.06%

Total	8,355,000	100%
Allocation of funds		
Outstanding Expenses of the Offer ²	313,897	3.76%
Exploration expenditure ³⁴	6,950,000	83.18%
Working capital ⁵	1,091,103	13.06%
Total	8,355,000	100%

Notes:

¹ This includes the existing cash reserves of both the Company and KCMH. Refer to the Investigating Accountant's Report set out in Section 9 of this Prospectus for further details.

² Refer to Section 3.20 of this Prospectus for further details.

³ Refer to Section 6.9 of this Prospectus and the Independent Geologist's Report in Section 8 of this Prospectus for further information on the planned exploration activities and expenditure budget for the project.

⁴ As noted in Section 6.9 of this Prospectus and the Independent Geologist's Report, the second phase exploration budget for the Licences will not be determined until the results from phase 1 have been analysed. This analysis will form the basis for the exploration expenditure budget for the Licences in phase 2. The Company will need to raise additional funds in order to complete the phase 2 exploration program.

⁵ Working capital includes payments towards wages, bonuses and superannuation of employees and directors, rent and outgoings, accounting fees, legal fees, ASX listing fees, auditing fees, insurance, share registry fees, travel expenses and all other items of a general administrative nature.

In the event more than \$2,250,000 is raised under this Prospectus, the Company intends to apply the additional funds firstly towards expenses of the Offer (brokerage at 6%) and thereafter towards working capital and the phase 2 exploration program on the Licences.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 11).

3.9 Capital Structure

The capital structure of the Company following completion of the Offer, assuming both full subscription of the Offer and full oversubscription of the Offer is summarised in the table below:

Shares	Number
Current	1,238,270,485

Exercise of Options (refer below) ⁵	500,000
<u>Sub-Total</u>	<u>1,238,770,485</u>
<u>Post 1:10 Consolidation¹</u>	<u>123,877,049</u>
Public Offer ² (Resolution 5 of the Notice of Meeting)	11,250,000
Issue to TGP (Resolution 3 of the Notice of Meeting)	86,890,625
Issue to Bedford (Resolution 4 of the Notice of Meeting)	15,958,063
Issue to consultant ³	2,250,000
TOTAL	240,225,737⁴
Options	
Unconverted Options ⁶	104,987,599
<u>Post 1:10 Consolidation^{1,7}</u>	<u>10,498,760</u>
Issue to Consultant (Resolution 9 of the Notice of Meeting)	6,250,000
TOTAL	16,748,760

Notes:

1. These numbers are approximations and will be subject to rounding of holdings.
2. Assuming \$2,250,000 is raised under the Capital Raising, however this may be as high as \$4,500,000 if the full amount of oversubscriptions are accepted.
3. The Company has committed to issuing 2,250,000 Shares to a consultant in relation to future services. Shareholder approval is not being sought for this issue as it is uncertain when these Shares will be issued. It is likely that the Company will issue these Shares under its 15% placement capacity.
4. Athan Lekkas (750,000 Shares and 750,000 Options), Ian Burston (1,500,000 Shares) and Kevin Joseph (1,500,000 Shares) are declining to take up the securities pursuant to resolutions 6 to 8 of the Notice of Meeting.
5. These Options are exercisable at \$0.01 (pre-Consolidation) on or before 30/11/2013. The Company has received commitments from the holders to exercise all these Options prior to completion of the Transaction.
6. These Options are set out below (on a pre-Consolidation basis):

14,972,599	Listed Options – 31/03/2013, \$1.00 exercise price;
88,700,000	Unlisted Options - 30/11/2013, \$0.01 exercise price;
1,100,000	Unlisted Options – 31/12/2011, \$1.625 exercise price;
15,000	Unlisted Options – 14/09/2012, \$1.00 exercise price; and
200,000	Unlisted Options – 31/12/2012, \$1.25 exercise price.

7. *This number assumes that only the 500,000 Options mentioned above are exercised.*

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, certain Shares to be issued may be classified by the ASX as restricted securities and will be required to be held in escrow for such time as prescribed by ASX. It is likely that the escrow periods will be between 12 and 24 months for TGP and between 9 and 12 months for Bedford.

3.10 Substantial Shareholders

As at the date of this Prospectus, there are no Shareholders with a substantial holding (5% or more) in the Company.

On completion of the Offer, TGP and Bedford will become substantial shareholders in the Company by virtue of completion occurring under the Put and Call Deed and the Share Sale Agreement.

The holdings of each of TGP and Bedford on completion of the Offer (assuming the minimum subscription is raised and no oversubscriptions) are set out in the table below:

Shareholder	Shares	%
TGP	86,890,625	36.17%
Bedford	15,958,063	6.64%

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

3.11 Who is TGP Australia Ltd?

TGP is a privately owned company which has been focused on acquiring iron ore licences in Nigeria since 2007. It is an equity finance development company with extensive experience in Africa.

TGP comprises a growing number of likeminded professionals within a strong company with access to the broad technical, commercial and management resources necessary to develop resource projects effectively.

TGP has more than 50 shareholders. As at the date of this Prospectus, the top 20 shareholders in TGP and their holdings in TGP are contained in the table below.

	TGP shareholders	Number of TGP shares
1.	I.D.W. Pty Ltd (account I & R Whiteley family trust)	9,809,782
2.	Kevin Joseph	9,100,000
3.	Vic Bullo Consulting Pty Ltd (account V & H Bullo family trust)	5,952,998
4.	I.D.W. Pty Ltd (account Kevin Joseph)	3,980,935
5.	Longford Pty Ltd (account Foster super fund)	3,743,360

	TGP shareholders	Number of TGP shares
6.	Nicholas Whiteley	3,477,929
7.	Daviston Pty Ltd	3,396,084
8.	Lauren Jackson	3,377,928
9.	Trans State Securities Pty Ltd	3,190,832
10.	Hollams, Robert Richard Frank (account the Jacaranda Trust)	2,845,999
11.	Burston, Ian Fred and Rosemary account (Burston Super Fund No.2 account)	2,840,000
12.	Burston, Rosemary	2,840,000
13.	Gemini Consultants Ltd	2,400,000
14.	Pacrim Investment Consultants Pty Ltd (account Pacrim Super Fund)	2,116,156
15.	Marinelli, Domenic (account Monte Acquaviva Trust)	2,038,205
16.	Vic Bullo Consulting Pty Ltd	2,020,832
17.	Whiteley Holdings Pty Ltd (account Whiteley Super Fund)	1,833,332
18.	Robyn Whiteley	1,666,666
19.	Reeves, David & Eleanor Jean (account Bodmin Super Fund)	1,426,666
20.	Sasse Pty Ltd (account Avago Super Fund)	1,340,000
	Total number of shares held by the top 20 shareholders	69,397,704
	Total number of shares on issue	111,215,167

The TGP shareholder named IDW Pty Ltd is a company in which Ian Whiteley and his wife, Robyn Whiteley, are the shareholders. Trans State Securities Pty Ltd is a company in which Ian Whiteley and Robyn Whiteley ultimately (via various interposing entities) have an interest in the majority of the voting shares in Trans State Securities Pty Ltd. Whiteley Holdings Pty Ltd is a company in which Ian and Robyn Whiteley and their children, Lauren Jackson and Nicholas Whiteley are the shareholders.

In addition to the above, Kevin Joseph's wife (Oluwafunmilayo Joseph) holds 400,000 TGP shares and Don Carroll has an interest in 533,332 TGP shares. Rosemary Burston is Ian Burston's wife.

3.12 Key Risks

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Company aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly

unpredictable and the extent to which the Company can effectively manage them is limited.

Set out below are specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 11.

(a) **Re-Quotation of Shares on ASX**

The Transaction constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Whilst this is not a risk for new investors in so far as their funds will be returned should the Company not successfully re-comply, it is a risk for existing shareholders in the Company who may be prevented from trading their shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

(b) **Risks associated with operations in Nigeria**

The Licences are located in Nigeria and the Company will be subject to the risks associated with operating in that country, including various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Nigeria may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Outcomes in courts in Nigeria may be less predictable than in Australia, which could affect the enforceability of contracts entered into by the Company or its subsidiaries in Nigeria.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company. The Company has made its investment and strategic decisions based on the information currently available to the Directors, however should there be any material change in the political, economic, legal and social environments in Nigeria, the Directors may reassess investment decisions and commitments to assets in Nigeria.

(c) **The Nigerian Mining Cadastre Office**

In addition to the above risk factors in relation to operations in Nigeria, there are also specific risks related to dealing with the relevant governmental authorities in Nigeria, the Mining Cadastre Office, Abuja (**Cadastre**).

Through the due diligence process, it has been discovered that the respective Cadastral Units (**CU**), measurements and areal results for certain Licences, contained in the records of the Cadastre (as shown in the Solicitor's Report on Title) do not exactly correlate with the independent measurements and areal results taken by the Independent Geologist (**Inconsistent Licences**). The more conservative figures have been used in the Independent Geologist's Report.

The measurements and areal data taken by the Independent Geologist correlates with the measurements and areal data contained in the reports completed by 3 surveyors appointed by the Cadastre to perform the original surveying for the Licences. As such, it is thought that the inconsistencies can be explained as merely clerical errors by the Cadastre when entering the measurements into their records.

Representatives of KCM Nigeria have contacted the Cadastre about the Inconsistent Licences and, whilst the Company has no reason to doubt that the Inconsistent Licences will not be corrected, there remains a risk that the Cadastre may refuse to make these corrections and that KCM Nigeria Ltd may not receive title to the affected areas of the Inconsistent Licences.

The Company does not consider that the affected areas of the Inconsistent Licences are material in the context of the proposed future exploration programs or the areas that may be prospective for iron ore deposits.

From previous experience, the Company estimates that it will take between 12 and 18 months for the Cadastre to rectify the issues with the Inconsistent Licences.

Further, the Company is awaiting documents from the Cadastre evidencing ownership by KCM Nigeria of licences EL9795 and EL12124. Please refer to the Solicitor's Report on Title for further information.

(d) **Lack of Executive Management**

The Company's management currently consists of 5 non-executive directors. The Board is aware of the need to have sufficient management to properly supervise the exploration and (if successful) the development of the projects in which the Company has, or will in

the future have, an interest and the Board will continually monitor the management roles in the Company.

To this end, the Company has identified positions that the Board is currently looking to fill at the operational and executive levels when and where appropriate to ensure proper management of the Company's projects. In the meantime, the current Board is confident that it has significant experience to cope without an executive director and has the contacts to enable it to appoint a consultant should this be deemed necessary.

However, there is a risk that the Company may not be able to secure personnel with the relevant experience at the appropriate time which may impact on the Company's ability to complete all of its preferred exploration programmes within its preferred timetable.

(e) **Future Capital Needs**

As the Company is going to base its phase 2 exploration budget on an analysis of the results from the first phase of exploration, the Company is yet to finalise a budget for its second phase of exploration.

The funds raised under the Offer are considered more than sufficient to meet the current exploration and evaluation objectives of the Company for the first phase of exploration. However, additional funding may be required, as with all exploration companies, to effectively implement the business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur, additional financing will be required.

The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of exploration, development or production on the Company's properties or even loss of a property interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders. Any inability to obtain finance will adversely affect the business and financial condition of the Company and its performance.

(f) **No Geographical Diversification**

The Company's projects are all located in Nigeria. Any circumstance or event which negatively impacts the ownership or development of these areas or which negatively affects Nigeria could materially affect the financial performance of the Company and more significantly than if it had a diversified asset base.

(g) **Exploration Success**

The Licences are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Licences, or any other licences or 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.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend upon the Company having access to sufficient development capital, being able to maintain title to its Licences and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the Licences, a reduction in the cash reserves of the Company and possible relinquishment of the Licences.

(h) **Operating Risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in 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.

(i) **Off take Risks**

The Company does not have any committed off take agreements in place. In the event that the Company starts producing iron ore from one of its projects in the future, the Company may enter into off take transactions in order to fix or underpin the price for a portion of its production or for a particular type of iron ore. There is a risk that the Company may not be able to deliver physical production into committed off take agreements; if for example, there was a production stoppage. In that event the Company could be adversely affected if the price was to move unfavourably. In addition, there is a mark-to-market risk in respect of accounting for off take agreements that could adversely impact the Company's financial results.

(j) **Resource Estimates**

Should the Company be successful in defining a mineral resource on any of the Licences, that resource estimate will be an expression of judgment 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 estimates are imprecise and depend to some extent on interpretations, which may prove to be

inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations

(k) **Dilution Risk**

The consideration for the Transaction includes the Bedford Consideration Shares and the TGP Consideration Shares. If the Transaction is completed, there will be a dilution for current Shareholders.

(l) **HIV/AIDS**

In Nigeria, an estimated 3.6 percent of the population are living with HIV and AIDS. Although HIV prevalence is much lower in Nigeria than in other African countries such as South Africa and Zambia, the size of Nigeria's population (around 149 million) means that by the end of 2009, there were 3.3 million people living with HIV.

Approximately 220,000 people died from aids in Nigeria in 2009. With AIDS claiming so many lives, Nigeria's life expectancy has declined significantly. In 1991 the average life expectancy was 54 years for women and 53 years for men. In 2009 these figures had fallen to 48 for women and 46 for men.

The exact impact of increased mortality rates due to HIV/AIDS related deaths on the cost of doing business in Nigeria and the potential growth in the economy is unclear at this time although employee related costs in Nigeria could increase as a result of the HIV/AIDS epidemic. The Company's results may be adversely affected by the loss of productivity and increased costs arising from any effect of HIV/AIDS on the Company's workforce.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company, or by investors in the Company and Shareholders should refer to the risk factors set out in full in Section 11 of this Prospectus before making a decision to subscribe for Shares under this Prospectus.

3.13 Financial Information and Dividends

Following the change in the nature of its activities, the Company will be focused on exploring its iron ore licences in Nigeria. Therefore, the Company's past operational and financial historical performance will not be of significant relevance to the go forward activities.

As a result, the Company is not in a position to disclose any key financial ratios other than its balance sheet which is set out in the Investigating Accountant's Report in Section 9. Investors should read the Investigating Accountant's Report in full.

The funding for the Company's short to medium term activities will be generated from the offer of Shares pursuant to this Prospectus. The Company expects to raise further funding from the issue of securities in the future. If the Company's proposed exploration is successful and the Company chooses to develop its projects, then the Company may also consider debt funding.

The extent, timing and payment of any dividends in the future will be determined by the Directors based on a number of factors, including future earnings and the financial performance and position of the Company. At the date of issue of this Prospectus, the Company does not intend to declare or pay any dividends in the immediately foreseeable future.

3.14 Directors and Directors' Interests

The background on each of the Directors is set out below:

Dr Ian Burston (Non-Executive Chairman)

Dr Burston has more than 50 years of top level experience in Western Australian and international iron ore mining and export sales. He has held executive management and Board positions with some of WA's largest and most successful mining operations. His distinguished career includes several multi-million tonnes per year exporting operations with outstanding track records in maximising production, transport efficiencies and project development. He has also held major roles in industry associations and local government. He was awarded Citizen of the Year (Industry and Commerce) 1992, Member of the Order of Australia (General Division) 1993, and Honorary Doctor of Science (Curtin) 1995. He is a Fellow of the Institute of Engineers of Australia, the Institute of Mining and Metallurgy and the Institute of Company Directors.

Dr Burston does not expect that his directorships with other companies or other business activities will interfere with his ability to act as the Non-Executive Chairman of the Company. Dr Burston currently holds a directorship in the following ASX listed companies NRW Holdings Limited (ACN 118 300 217), Mincor Resources NL (ACN 072 745 692) and Africa Iron Ltd (ACN 123 972 814).

Mr Nathan Taylor (Non-Executive Director)

Mr Taylor is Co Head of Equity Capital Markets at BBY Limited, an Australian independent financial services group. Prior to joining BBY Limited, Mr Taylor has worked for StoneBridge Securities Limited, a boutique stockbroker headquartered in Sydney as well as the UBS Equity Capital Markets team and prior to this within the Macquarie Bank Equity Capital Markets team.

Throughout his investment banking career, Mr Taylor has been involved in raising over \$6 billion for ASX listed companies in the resources and related sectors and over \$10 billion for other ASX listed companies.

Prior to working for Macquarie Bank, Mr Taylor worked as a corporate lawyer for Blake Dawson where he was involved in conducting due diligence and structuring a large number of regulated and unregulated M&A transactions.

Mr Taylor does not expect that his directorships with other companies or other business activities will interfere with his ability to act as a Non-Executive Director of the Company. Mr Taylor currently holds a directorship in 1 other ASX listed company, Meridien Resources Ltd (ACN 131 758 177).

Mr Don Carroll (Non-Executive Director)

Mr Carroll is a former executive with BHP Billiton with over 30 years of experience in the mining industry, principally overseas in Asia, the United States and West Africa. During this time he was responsible for the early development of the Kalimantan coal projects, the marketing of minerals in Asia, including China, and

was the President for BHPB in Japan and India. He was also the CEO for the Guinea Alumina project in West Africa. He holds a Bachelor degree in Mining Engineering from Sydney University, is a member of the Australasian Institute of Mining and Metallurgy and the Institute of Company Directors.

Mr Carroll does not expect that his directorships with other companies or other business activities will interfere with his ability to act as a Non-Executive Director of the Company. Mr Carroll does not currently hold a directorship in any ASX listed companies.

Mr Kevin Joseph (Non-Executive Director)

Mr Joseph has extensive experience in Nigeria and the West African region. A 23 year resident of Nigeria, he has invaluable in-country relationships which will assist the Company in executing its development strategies. Mr Joseph is a former Executive Director of Operations for OANDO Petroleum, one of two major local marketers of petroleum in Nigeria, where he headed up Supply Chain Development in the West African Region, with executive responsibility for new business development.

Mr Joseph does not expect that his directorships with other companies or other business activities will interfere with his ability to act as a Non-Executive Director of the Company. Mr Joseph does not currently hold directorship in any ASX listed companies.

Mr Athan Lekkas (Non-Executive Director)

Mr Lekkas has participated in a broad range of business and corporate advisory transactions and projects for a diverse range of ASX listed and unlisted companies, including the banking, mining and corporate finance industries in Australia and abroad. He is experienced particularly in the treasury and financial market sectors including financial feasibility studies for the provision of debt or equity for project funding.

Mr Lekkas has more recently focused and specialised on the restructure and recapitalisation of a wide range of ASX listed companies with a specific focus in the resource sectors and currently serves as Director for ASX listed Pan Asia Corporation (PZC).

Mr Lekkas is also a Director and Head of Corporate Finance for Soaring Securities Pty Ltd a boutique stock broking firm, and is also an associate member of the Australian Institute of Company Directors.

Mr Lekkas does not expect that his directorships with other companies or other business activities will interfere with his ability to act as a Non-Executive Director of the Company.

3.15 Corporate Governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

The Company is a disclosing entity listed on the Australian Securities Exchange. Details of the Company's policies regarding corporate governance and associated matters are disclosed in the Annual Reports to Shareholders that

have been previously lodged with the ASX as well as posted on the Company's web site www.energio.net.au.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 7 of this Prospectus.

3.16 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Shares as set out in the table below:

Directors	Shares
Mr Nathan Taylor	31,000,000 ¹
Dr Ian Burston	0
Mr Don Carroll	20,000,000
Mr Kevin Joseph	0
Mr Athan Lekkas	51,500,000 ²

- 1 Mr Taylor holds 30,000,000 of these shares in his own name and 1,000,000 of these are held by Mr Taylor's wife.
- 2 Mr Lekkas holds 42,500,000 of these shares and 9,000,000 are held by Dalext Pty Ltd a company which Mr Lekkas controls.

3.17 Remuneration

The Company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$250,000 per annum.

The remuneration of any executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

The annual remuneration (inclusive of superannuation) payable to each of the Directors as at the date of this Prospectus is as follows (these amounts may increase in the future, subject to determination by the remuneration committee):

Current Directors	Annual Remuneration 2011	Annual Remuneration 2010	Annual Remuneration 2009	Consulting Fees
Mr Nathan Taylor	\$3,500 per month ¹	\$9,000	0	nil
Dr Ian Burston	\$3,000 per month ²		0	nil
Mr Don Carroll	\$3,000 per month ³	0	0	nil
Mr Kevin Joseph	\$3,000 per month ⁴	0	0	nil
Mr Athan Lekkas	\$3,000 per month ⁵	\$9,000	0	nil

Notes:

1. From 1 July 2010 (Nathan Taylor was appointed a director 27 April 2010).
2. From the date of his appointment, 22 December 2010.
3. From the date of his appointment, 1 December 2010.
4. From the date of his appointment, 22 December 2010.
5. From 1 July 2010 (Athan Lekkas was appointed a director on 20 April 2010).

3.18 Related Party Arrangements

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

3.19 Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, our Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

3.20 Expenses of the Offer

The total outstanding expenses of the Offer are estimated to be \$313,897 and are expected to be applied towards the items set out below:

Item of Expenditure	Amount (\$)
ASIC fees	\$2,137
ASX fees ¹	\$7,575
Australian Legal Fees	\$100,000
Capital Raising Commissions	\$135,000
Investigating Accountant Report	\$15,000
Independent Geologist's Report	\$41,360

Legal report on title and Nigerian due diligence	\$7,825
Printing and other Expenses	\$5,000
TOTAL	\$313,897

Notes:

¹ Based on the Company raising \$2,250,000 pursuant to the Offer. If \$4.5 million is raised under the Offer, the ASX fees will increase by \$3,225 and any broker commission will increase by up to \$135,000.

3.21 Share Register and Enquiries

If you have any questions regarding this Offer, please contact the Company's Share Registry as follows:

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000
Telephone: (02) 8280 7111

Otherwise, investors should contact their stockbroker or professional adviser. Copies of the online Prospectus are available at www.energio.net.au.

4. CHAIRMAN'S LETTER

Dear Investor,

On behalf of my fellow directors, I am pleased to present this opportunity to you to become a Shareholder in our Company, Energio Limited (**Energio** or the **Company**).

Energio has been an ASX listed company for some years, engaged in the toy and gaming business. Due to, amongst other things, the attractive investment opportunity presented and the steep increase in the price of iron ore, Energio's Board of Directors decided to change the strategic focus of the Company and to acquire investments located in the iron ore industry in Nigeria. The first step in this change in strategy was entering into agreements to acquire a package of prospective exploration licences covering iron ore prospects in Kogi State, Nigeria. Kogi State is an iron ore rich region in Nigeria that is yet to be fully explored despite having abundant existing reliable infrastructure, such as sealed roads and highways and rail links to the Port of Warri.

These Licences contain magnetite in BIF and iron rich oolitic deposits with an *exploration target* of 1.6 to 2.7 billion tonnes of potential iron mineralisation grading in the range of 48% to 53% iron. The potential quantity and grade is conceptual in nature at this stage as there has been insufficient exploration to define a Mineral Resource under the JORC Code. Further, it is uncertain if further exploration will define a Mineral Resource.

The Company has also looked to restructure itself through the injection of a skill set appropriate for this new undertaking as well undertaking a significant new capital raising, which is partly facilitated by this Prospectus.

The Board is strongly of the opinion that the acquisition of the Licences and the consequent focus away from the toy and gaming industry to the iron ore industry, will be of great benefit to the Company and its shareholders for various reasons, including the following:

- The dramatic price rises in iron ore over the past 10 years, the spot market assessment iron ore monthly price for China import Iron Ore Fines 62% FE spot (CFR Tianjin port), going from US\$12.99 per metric ton to US\$141.25 per metric tonne as at 8 December 2011.¹
- The Licences are situated in an area with abundant existing reliable infrastructure in Kogi State. This abundant infrastructure includes sealed roads and highways, rail links to within 35kms of the Port of Warri, an existing steel facility located on the rail line, connections to the national power grid, a 414 megawatt gas fired power station (within 50km of the project) and abundant water which may assist in expediting project development and start up.
- Kogi state is home to a large proportion of Nigeria's known iron deposits.
- Nigeria has a relatively low level of sovereign risk and strong government support, with a new constitution adopted in 1999, a peaceful transition to a civilian government and a legal system based on British common law and the English language. This strong government support is especially evident in the iron and steel industry, with the Nigerian Government constructing two facilities related to the iron ore and steel industry.

¹ From Index Mundi, at (<http://www.indexmundi.com/commodities/?commodity=iron-ore&months=180>) and Platts.com (<http://www.platts.com/DailyIronOreBenchmark>).

- An experienced Board has been collected that has previous success in the iron ore and exploration industry with companies such as BHP Billiton, Fortescue Metals Group, African Iron Ltd and as such will be well qualified to extract Shareholder benefit from the Licences.
- The Company intends to use the funds raised to continue a comprehensive exploration program focused on the area of the Agbaja Plateau with the intent of identifying and defining a JORC resource by 30 June 2012. Besides drilling, sampling and assaying approximately 20,000m, the Company will also take bulk samples for metallurgical testing and will complete a scoping study to determine a potential resource development plan.

The Directors join me in offering you this exciting opportunity to participate in the ownership of Energio and I look forward to welcoming you as a Shareholder of the Company. However, before making your decision to invest, I ask that you carefully read this Prospectus and seek professional advice if required.

Yours sincerely,

Dr Ian Burston

Non- Executive Chairman

5. DETAILS OF THE OFFER

5.1 The Offer

By this Prospectus, the Company offers 11,250,000 Shares at an issue price of 20c each to raise \$2,250,000 (with up to \$2,250,000 potentially being available in oversubscriptions).

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

The purpose of the Offer and the use of funds raised are set out in the Investment Overview of this Prospectus.

The Offer is conditional upon satisfaction or waiver of certain conditions precedent contained in the Agreements, which are detailed further in section 12 of the Prospectus.

5.2 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company's shares have been suspended from quotation on the ASX from 30 November 2011, the date of its Annual General Meeting which approved the transactions associated with a change to the nature and scale of the Company's activities. The Company's Shares will not be reinstated to Official Quotation until ASX approves the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

In the event that the Company does not receive conditional approval for re-quotation on ASX, it will not proceed with the Offer and will repay all application monies received. Should this occur, the change to the nature and scale of the Company's activities will not eventuate and the Company's securities may remain suspended from quotation on ASX.

In order for the Company's Shares to be re-instated to trading on the ASX following this change in nature and scale, the Company must re-comply with Chapters 1 and 2 of the ASX Listing Rules and obtain ASX approval for re-instatement to trading of its Shares on the ASX. This Prospectus is being issued as part of satisfying those requirements.

5.3 How to Apply for Shares

If you wish to invest in the Company complete the Application Form provided with or attached to this Prospectus. Alternatively, complete a paper copy of the electronic Application Form that accompanies the electronic version of the Prospectus which can be found and downloaded from www.energio.net.au.

Applicants who receive a firm offer should return their completed Application Forms to the broker from whom they received their firm allocation of Shares.

Applicants who receive a general offer should return their completed Application Form together with application monies in full prior to 5.00pm (WST) on the Closing Date to the Company as follows:

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000

Refer to the instructions on the back of the Application Form when completing your application. Cheques must be made payable to "Energio Limited Subscription Account" and crossed "Not Negotiable". All cheques must be in Australian currency.

An original completed and lodged Application Form, together with a cheque for the application monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not have to be signed to be a valid application. An application will be deemed to have been accepted by the Company upon allotment of the Shares.

The Directors reserve the right to accept or reject any application or to issue a lesser number of Shares than applied for at their sole and absolute discretion. No interest will be paid on any application money returned.

The Offer may be closed at an earlier date and time, at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. The Company reserves the right to extend the Offer or accept late applications.

5.4 CHES

The Company participates in the Clearing House Electronic Subregister System (**CHES**).

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

5.5 Minimum Subscription

The minimum subscription for the Offer is \$2,250,000.

If the minimum subscription has not been raised within four months after the date of this Prospectus, the Company will not proceed with the Offer and it will repay all application monies received (without interest).

5.6 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

5.7 Allotment

Subject to ASX granting approval for the Company to be reinstated to trading on the Official List, allotment of the Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

An application constitutes an offer to acquire Shares on the terms and conditions set out in this Prospectus. The Company reserves the right to:

- (a) not proceed with the Offer at any time before the issue of Shares, in such circumstances application monies paid by applicants will be refunded to them in full, without any interest earned on those funds, which will be retained by the Company;
- (b) reject any application, including but not limited to applications that have been incorrectly completed or are accompanied by cheques that are dishonoured;
- (c) issue to any applicant fewer Shares than applied for by the applicant; and
- (d) decide to whom the Shares will be issued in its absolute discretion.

Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned (without interest) by cheque to the applicant within seven (7) days of the allotment date.

The applicant agrees, except if Section 742 of the Corporation Act applies, that the application is an irrevocable offer which cannot be withdrawn, unless the applicant has a right to withdraw under the Corporations Act or the Company consents.

Prior to trading in Shares, it is the responsibility of successful applicants to determine the number of Shares issued to them. Applicants who sell Shares before they receive confirmation from the share registry of their shareholding do so at their own risk.

5.8 ASX Listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares offered under this Prospectus. If the Shares are not admitted to quotation on ASX within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In that circumstance, all applications will be dealt with in accordance with the Corporations Act.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

5.9 Risk Factors

You should read this entire Prospectus, including Section 11 relating to risk factors, before making any decision to invest. Investment in the Shares should be considered speculative, and may not be suitable as an investment for investors who require security of capital or income.

5.10 Privacy Statement

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

5.11 Commissions payable

The Company reserves the right to pay a commission of 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

5.12 Enquiries

Enquiries relating to this Prospectus or requests for additional copies of this Prospectus should be directed to the Company Secretary of the Company by telephoning (+61 8) 9486 2333.

6. OVERVIEW OF COMPANY, NIGERIA AND THE COMPANY'S PROJECT

6.1 Background

Please refer to Section 3.2 of this Prospectus for the Company Overview.

6.2 Iron Ore Licences

Details on the Licences which are held by KCM Nigeria are set out in the Solicitor's Report on Title in Section 10 and the Independent Geologist's Report in Section 8 of this Prospectus.

6.3 Objectives

The Company's main objectives in undertaking the Offer are to:

- (a) assist the Company to meet with requirements of ASX and re-comply with Chapters 1 and 2 of the ASX Listing Rules;
- (b) raise funds to be applied toward the exploration and assessment of the Licences; and
- (c) provide funds for general working capital and expenses of the Offer.

6.4 Strategy

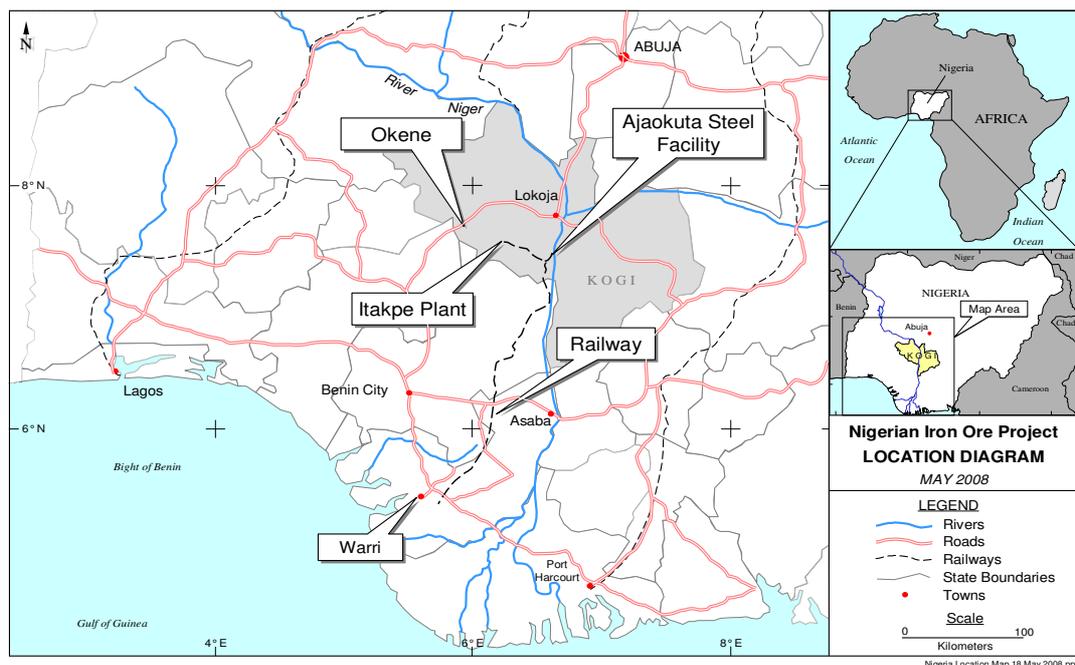
The Company believes that the existing demand for iron ore products driven mainly by China, presents an opportunity for West Africa to emerge as a credible alternative to Brazil and the Pilbara as a source of iron ore. This is likely to become more evident as the existing traditional suppliers struggle with infrastructure expansions, decreasing ore grades and increasing capital cost. Below are some of the key points to consider when looking at the African alternative:

- (a) **West Africa does host very large iron ore deposits.** Both high grade and lower grade deposits that once were considered uneconomic are now seen as viable for development with large operating margins as a result of higher iron ore prices.
- (b) **Infrastructure needs of these deposits varies significantly.** Most require the development of heavy haul railways, roads, ports and power plants, however some deposits, like those which the Company is aiming to define, are located more favourably.
- (c) **Customers are seeking new long-term sources of iron ore.** Major steel mills in China, South Korea and Japan are seeking to diversify their reliance on the three major producers of BHP Billiton and Rio Tinto in Australia, and Vale in Brazil, and the smaller but very numerous Chinese steel producers are seeking to secure their own supplies of iron ore. As such, Africa represents a viable source of new iron ore.
- (d) **Africa is attracting strong Chinese investment particularly to support the infrastructure required to bring new iron ore projects online.** African iron ore explorers and developers are forming strategic alliances with Chinese entities and steel mills seeking to secure tonnage off-take volumes.

- (e) **Most West African countries are seen as 'high risk'.** Many African countries which are resource rich have endured decades of civil unrest and have depleted economies. Hence, they have varying levels of political and sovereign risk, with most at the 'high risk' end. The Company believes that Nigeria is in a more fortunate position with a strongly growing economy seeking to diversify development from oil and gas to other minerals.

6.5 Nigeria background and Kogi State infrastructure, including the iron and steel industry

Rail, road, port and power are the key infrastructure requirements for an iron ore project and Kogi State, which is situated approximately 300km south-west by road from the Nigerian capital of Abuja has abundant existing reliable infrastructure in the form of sealed roads and highways, and heavy haul rail links to within 35kms of the Port of Warri. It also has connections to the national power grid, a 414 megawatt gas fired power station (within 50km of the project) and abundant water from the Niger River to support major mineral exploitation. Access to existing available infrastructure will provide for an expedited project development and start up to satisfy the growing demand for these mineral commodities.



Kogi State is also home to a large proportion of Nigeria's known iron deposits. These occurrences present as Banded Iron Formations (BIF) and oolitic ironstones and have been the subject of various geological evaluations over a period spanning approximately 50 years. Data includes previous drilling, bulk sampling and metallurgical assessments which have identified fine grained hematite-magnetite mineralization in the BIF.

In the early 1970's the evident abundance of iron deposits prompted the Nigerian Government to collaborate with Soviet expertise to establish an iron and steel industry within the country. This collaboration culminated with the construction of the Ajaokuta Steel Complex on the banks of the Niger River in Kogi State in 1991. Ajaokuta is designed to produce up to 10Mt/tpa of steel

product, but since completion, it has essentially remained on care and maintenance for lack of funding and technical expertise.

In addition to the Ajaokuta steel works, Kogi State is also the location of the Itakpe iron ore processing facility near Okene. This facility was originally designed and constructed with the capacity to beneficiate up to 3.3Mtpa into concentrate for supply to Ajaokuta as 10% of its feedstock, using the existing rail facility. Similar to Ajaokuta, Itakpe is also under the direct control of the Nigerian Federal Government. This plant is currently on care and maintenance.

6.6 Geological Summary and Forward Exploration Plan

The Precambrian rocks of Nigeria may simplistically be grouped into three principal subdivisions of the ancient gneiss migmatite complex, the schist belts and the tectonically deformed plutonic series. This Precambrian terrain may have been part of an Archaean proto-shield that was later affected by Proterozoic crustal activities and subsequent evolution of the Phanerozoic basins. Overlying these older assemblages are sedimentary sequences of Cretaceous to Tertiary ages deposited in five large basinal areas.

The BIF of Nigeria generally occurs in metamorphosed folded bands associated with Precambrian basement complex rocks, which include low grade metasediments, high grade schist, gneisses and migmatites. Included in this group are the well known Lokoja-Okene District occurrences that form the core of the iron ore licences owned by KCMH Australia.

The initial exploration programme commenced in February 2011 with the objective of selecting drill pad locations and to prioritise drilling sequencing. This has included visits to the deposits, a review of aerial aeromagnetic survey results and ground magnetics. The Agbaja plateau was selected for the initial drilling program. A drilling contractor has been engaged and commenced the drilling program in September 2011 at the start of the dry season. Where warranted, bulk samples will also be collected for additional beneficiation test work. The objective is to lift mineralisation to JORC compliant levels of resource or reserves by 30 June 2012.

6.7 Infrastructure

The Agbaja Plateau is located within a network of all-season bitumen roads that connects the main towns within the region. The River Niger now has two bridges in the area and since there are no falls or rapids the river is navigable around the shifting sandbars to above Lokoja.

The Agbaja Plateau area is centred on the regional centre of Lokoja some 250km SSW of Abuja the capital of Nigeria; travel time is about three hours by vehicle. Access to all Licences is primarily via bitumen highway from Lokoja north, south, south westwards or east and then where necessary by either small local tracks or footpaths.

The nearest railhead is at the Itakpe processing facility and terminates to the south at Warri Terminus only some 30km from the coast. The railway has free capacity and is currently owned and operated by the state owned company Nigerian Ports Authority.

6.8 About Nigeria

- Africa's most populous country with approximately 160 million people.

- Democratic elections held since 1999.
- Member of OPEC since 1971 and the world’s 7th largest oil producer.
- English speaking and former British protectorate.
- Liberalised exchange control regulations ensuring free capital flows.
- The Nigerian Minerals and Mining Act 2007 provides for the overview and regulation of the mining industry in Nigeria.
- Organized mining activities began in Nigeria in 1903 when the Mining Survey of the Northern Protectorate was created by the British colonial government. A year later, the Mineral Survey of the Southern Protectorate was founded. The British started tin mining operations in Nigeria in 1904 and were also mining gold by 1906. By the 1940’s, Nigeria was a major producer of tin, columbite and coal.
- Historically, Nigeria’s mining industry was monopolized by state owned public corporations. In recent times, far-reaching changes have been introduced by a shift in government policy. Accordingly, in line with global trends, the Government has embraced deregulation of the sector to allow for private participation in mining activities.
- The Mining and Cadastre Office under the Ministry of Mines and Steel Development is directly responsible for the regulation and issuance of mining licences in Nigeria.
- The Cadastre office is the repository of all information and data with regard to all mining activities in Nigeria. All issues relative to the scope of mining rights, assignment of mining rights and other forms of dealings with mining rights are required to be recorded or noted with the Cadastre department. The Cadastre office operates as an autonomous department under the Federal Ministry of Mines and Steel Development.

The principal legislation for the mining sector is the Nigerian Minerals and Mining Act 2007 which re – enacts, with applicable modifications, the 1946 Mineral Act. The Government is currently working on a national policy on mineral resources. The document is to be tagged the “National Mineral and Metal Policy 2008”.

6.9 Proposed Project Budget

From the funds raised under the Offer and with the cash on hand, the Company is proposing to spend approximately \$6.95 million on the first phase of exploration and feasibility assessment in relation to the Licences, as set out in the table below.

Function	Phase 1 \$000s
Mapping and Trenching	370
Imagery acquisition	30
Interpretation	150

Diamond Drilling	2,000
RC Drilling	3,000
Administration	500
Total Exploration Expenditure	6,050
Capex	350
Contingency	550
TOTAL	6,950

As mentioned above, an exploration budget for the second phase of exploration will be prepared following an analysis of the exploration results from the first phase.

The principal objective of the program is to define a JORC compliant resource on the Agbaja Plateau and to carry out extensive regional exploration programs to identify new iron ore targets, and complete a preliminary assessment of the oolitic mineralisation.

7. DIRECTORS AND CORPORATE GOVERNANCE

7.1 Directors

Disclosure of the Directors and their background is contained at the beginning of this Prospectus in the Investment Overview section.

7.2 Corporate Governance

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

To the extent applicable, our Company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by the ASX Corporate Governance Council (**Recommendations**).

7.2.1 The Board of Directors

The Company's Board of Directors are responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

7.2.2 Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and

- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

7.2.3 Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

7.2.4 Remuneration arrangements

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

The total maximum remuneration of Non-executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of \$250,000 per annum.

The Board may award additional remuneration to Non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

7.2.5 External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

7.2.6 Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

7.2.7 Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

7.3 Departures from Recommendations

Following admission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
1.	<i>Lay solid foundations for management and oversight</i>	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities of the Board.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	<p>The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company.</p> <p>The Chair will monitor the Board and the Board will monitor the performance of any senior executives who are not Directors, including measuring actual performance against planned performance.</p>
1.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	<p>Explanation of departures from Principles and Recommendations 1.1 and 1.2 (if any) are set out above. The Company will also explain any departures from Principles and Recommendations 1.1 and 1.2 (if any) in its future annual reports.</p> <p>No performance evaluation of senior executives has taken place to date as this process is conducted annually and the first year has not been completed. Future annual reports will disclose whether such a performance evaluation has taken place in the relevant reporting period and whether it was in accordance with the process disclosed.</p> <p>The Corporate Governance Plan, which includes the Board Charter, is posted on the Company's website.</p>
2.	<i>Structure the board to add value</i>	
2.1	A majority of the Board should be independent directors.	A majority of the Board are independent directors.
2.2	The Chair should be an independent director.	The Company's Non-Executive Chairman, Dr Ian Burston, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of an independent director. However, the Board believes that the Chairman is able to bring, and does bring, quality and independent judgement to all relevant issues falling within the scope of

		the role of a Chairman.
2.3	The roles of Chair and chief executive officer should not be exercised by the same individual.	<p>The Company has not appointed a chief executive officer nor any executive directors.</p> <p>The Chairman is Dr Ian Burston. The Company intends to seek out and appoint a chief executive officer in the future.</p>
2.4	The Board should establish a nomination committee.	<p>No formal nomination committee has been established by the Company as yet. The Board, as a whole, currently serves as the nomination committee.</p> <p>The Company's Corporate Governance Plan includes a Nomination Committee Charter, which discloses the specific responsibilities of the committee.</p> <p>Where necessary, the Board seeks advice of external advisers in connection with the suitability of applicants for Board membership.</p>
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	<p>The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company.</p> <p>The Chair will review the performance of the Board, its committees (if any) and individual directors to ensure that the Company continues to have a mix of skills and experience necessary for the conduct of its activities.</p>
2.6	Companies should provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	<p>The Company has provided details of each director, such as their skills, experience and expertise relevant to their position in this Prospectus and will also provide these details on its website and in future annual reports.</p> <p>Explanation of departures from Principles and Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 (if any) are set out above. The Company will also explain any departures from Principles and Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 (if any) in its future annual reports.</p> <p>No performance evaluation of the Board, its committees and individual directors has taken place to date as this process is conducted annually and the first year has not been completed. Future annual reports will disclose whether such a performance evaluation has taken place in the relevant</p>

		<p>reporting period and whether it was in accordance with the process disclosed.</p> <p>The Corporate Governance Plan, which includes the Nomination Committee Charter, is posted on the Company's website.</p>
3.	<i>Promote ethical and responsible decision-making</i>	
3.1	<p>Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	<p>The Company's Corporate Governance Plan includes a '<i>Corporate Code of Conduct</i>', which provides a framework for decisions and actions in relation to ethical conduct in employment.</p>
3.2	<p>Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.</p>	<p>The Company's Corporate Governance Plan includes a '<i>Diversity Policy</i>', which provides a framework for establishing measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.</p>
3.3	<p>Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.</p>	<p>This disclosure has not yet been made as the first year has not been completed. Future annual reports will disclose the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.</p>
3.4	<p>Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.</p>	<p>This disclosure has not yet been made as the first year has not been completed. Future annual reports will disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.</p>

3.5	Companies should provide the information indicated in the <i>Guide to reporting on Principle 3</i> .	<p>Explanation of departures from Principles and Recommendations 3.1, 3.2, 3.3 and 3.4 (if any) are set out above. The Company will also explain any departures from Principles and Recommendations 3.1, 3.2, 3.3 and 3.4 (if any) in its future annual reports.</p> <p>The Corporate Governance Plan, which includes the Corporate Code of Conduct and Diversity Policy, is posted on the Company's website.</p>
4.	<i>Safeguard integrity in financial reporting</i>	
4.1	The Board should establish an audit committee.	No formal Audit Committee has been established by the Company as yet. The Board, as a whole, currently serves as the Audit Committee.
4.2	<p>The Audit Committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent Chair, who is not chair of the Board • has at least three members. 	<p>Whilst the Audit Committee is not structured in the manner set out in the Principles and Recommendations, the Board is of the view that the experience and professionalism of the persons on the Board is sufficient to ensure that all significant matters are appropriately addressed and actioned. Further, the Board does not consider that the Company is of sufficient size to justify the appointment of additional directors for the sole purpose of satisfying this recommendation as it would be cost prohibitive and counterproductive.</p> <p>As the operations of the Company develop the Board will reassess the formation of the Audit Committee.</p>
4.3	The Audit Committee should have a formal charter.	The Company's Corporate Governance Plan includes an Audit and Risk Committee Charter, which discloses its specific responsibilities.
4.4	Companies should provide the information indicated in the <i>Guide to reporting on Principle 4</i> .	<p>Explanation of departures from Principles and Recommendations 4.1, 4.2 and 4.3 (if any) are set out above. The Company will also explain any departures from Principles and Recommendations 4.1, 4.2 and 4.3 (if any) in its future annual reports.</p> <p>The Corporate Governance Plan, which includes the Audit and Risk Committee Charter, is posted on the Company's website.</p>

5.	<i>Make timely and balanced disclosure</i>	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.
5.2	Companies should provide the information indicated in <i>Guide to Reporting on Principle 5</i> .	The Company has not currently departed from Principle and Recommendation 5.1. The Company will provide an explanation of any departures from Principle and Recommendation 5.1 (if any) in its future annual reports. The Corporate Governance Plan, which includes a continuous disclosure program, is posted on the Company's website.
6.	<i>Respect the rights of shareholders</i>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company's Corporate Governance Plan includes a shareholders communication strategy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.
6.2	Companies should provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	The Company has not currently departed from Principle and Recommendation 6.1. The Company will provide an explanation of any departures from Principle and Recommendation 6.1 (if any) in its future annual reports. The Corporate Governance Plan, which includes a shareholders communication strategy, will be posted on the Company's website.
7.	<i>Recognise and manage risk</i>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company's Corporate Governance Plan includes a risk management policy. The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Company's Corporate Governance Plan includes a risk management policy. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board Meetings.
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Company has not yet been required to lodge financial statements in Australia and as a result no declaration has been required. Reports on risk management are to be provided to the Board by management or the executive director(s) responsible for the management of the individual risk. The Board will seek the relevant assurance from the management and the executive directors (or their equivalents) at the relevant time.
7.4	Companies should provide the information indicated in <i>Guide to Reporting on Principle 7</i> .	The Company has not currently departed from Principle and Recommendation 7.1, 7.2 and 7.3. The Company will provide an explanation of any departures from Principle and Recommendation 7.1, 7.2 and 7.3 (if any) in its future annual reports. The Corporate Governance Plan, which includes a risk management policy, is posted on the Company's website.
8.	<i>Remunerate fairly and responsibly</i>	
8.1	The Board should establish a Remuneration Committee.	The Board has not established a formal Remuneration Committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the Board, acting without the affected director participating in the decision making process, currently serves as a Remuneration Committee. The Company's Corporate Governance Plan includes a Remuneration Committee Charter, which discloses its specific responsibilities. Remuneration to the executive directors is by way of salary only and to non-executive

		<p>directors by way of director fees only, with the level of such salary or fees as the context requires, having been set by the Board to an amount it considers to be commensurate for a company of its size and level of activity.</p> <p>There is currently no link between performance and remuneration, however, it is the intention of the Board to re-assess this once the Company commences operations. Further there are no schemes for retirement benefits in existence.</p>
8.2	<p>The Remuneration Committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an Independent Director • has at least three members 	<p>Although no formal Remuneration Committee has been established, the Board currently serves as the Remuneration Committee.</p> <p>The Board is comprised of a majority of independent directors and has at least three members.</p>
8.3	<p>Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.</p>	<p>The Board has distinguished the structure of non-executive director's remuneration from that of executive directors and senior executives.</p> <p>The Company's Constitution provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum set by the Constitution and subsequently varied by resolution at a general meeting of shareholders.</p> <p>The Board is responsible for determining the remuneration of executive directors and senior executives (without the participation of the affected director). It is the Board's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating executive directors and senior executives fairly and appropriately with reference to relevant employment market conditions and by linking the nature and amount of executive directors' and senior executives emoluments to the Company's financial and operational performance.</p>
8.4	<p>Companies should provide the information indicated in the <i>Guide to reporting on Principle 8</i>.</p>	<p>Explanation of departures from Principles and Recommendations 8.1, 8.2 and 8.3 (if any) are set out above. The Company will also provide an explanation of any departures from Principles and Recommendations 8.1, 8.2 and 8.3 (if any) in its future annual reports.</p> <p>The Corporate Governance Plan, which</p>

		includes the Remuneration Committee Charter, is posted on the Company's website.
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8. INDEPENDENT GEOLOGIST'S REPORT

AL MAYNARD & ASSOCIATES Pty Ltd
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Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT GEOLOGICAL REPORT
on
Iron Project Licences
In
KOGI STATE, NIGERIA

PREPARED FOR

ENERGIO LIMITED

ACN 001 894 033

Author: Allen J Maynard, BAppSc(Geol), MAIG, MAusIMM
Date: 08 October, 2011
Revised: 14 November, 2011

Executive summary

Al Maynard and Associates (“AM&A”) has prepared this independent geological report on the mineral assets that KCM Mining Holdings Pty Ltd (‘KCM’) owns through its 75% Nigerian subsidiary KCM Mining Limited (‘KCMN’) that are located in Kogi State, Nigeria.

KCMN is a mineral exploration and resource development company that holds a total of 426.65km² of exploration tenements comprising 16 Exploration Licences (“ELs”) in Kogi State, Nigeria (Table 2). KCM owns 75% of KCMN that holds the 16 exploration tenements which includes numerous known occurrences of iron mineralisation. *There exists a complication to the title of the known mineralised areas in that the Nigerian ‘Tenement Authority’ called the ‘Cadastre’ has formally issued title to areas that are LESS than that which KCM understands it actually has proper rights and title for this same ground. The lesser area is 122.4km² whereas the larger area is 151.7km². For ease of reference throughout the report, the Cadastre figures have been used when referring to the licence areas.*

Energio Limited (“Energio” or “Company”) has entered into an agreement to acquire 100% of the shares in KCM and the remaining 25% of the shares in KCMN not owned by KCM.

The primary focus is on the plateau oolitic iron mineralisation licence areas north, south and east of Lokoja known as Agbaja, Koton Karfi and Bassa Nge (“Bassa”) respectively and secondly on the magnetite quartzite (“BIF”) iron deposits. Mineralisation potential estimates are based on ground mapping augmented by limited drillhole data.

The Lokoja District Oolitic sedimentary ironstone deposits and the Okene Magnetite Quartzite Deposits of the Okene District are in the northwest portion of Kogi State to the northeast of Lagos. Access in the area is good on bitumen highways with final ground access via local tracks and footpaths. The nearest railhead is at the Itakpe processing facility and terminates to the south at the Delta Steel Facility not far from the Warri Terminus only some 30km from the coast.

The general elevation of the area ranges from about 30-43m along the alluvial plains of the Niger and Benue valleys and about 640m around Okene and Ososo and in the area north of Kabba.

The Precambrian rocks of Nigeria may simplistically be grouped into three principal subdivisions of the ancient gneiss migmatite complex, the schist belts and the tectonically deformed plutonic series plus affiliated minor rock units that bear imprints of several Pan African tectonic events. Overlying these older assemblages are Cretaceous to Tertiary sedimentary sequences deposited in five large basinal areas.

Two main styles of iron ore deposits occur in Nigeria. Magnetite Quartzites (“MQ”) and Banded Iron Formation (‘BIF’) occurs mostly in folded bands and lenses associated with the Precambrian meta-sedimentary schist belts. The Cretaceous sedimentary oolitic iron deposits occur prominently in the Lokoja District, in the North Central and in the Nsude district in the South Eastern zones of the country.

The BIF layers vary in thickness from about 3.0cm to 5.0m and are commonly found in groups intercalated within surrounding country rocks or as isolated thin units. The bands have variable strike extent with some existing, though discontinuously, over several kilometres.

The Cretaceous sedimentary oolite iron formations are described as sedimentary but are in fact partly lateritic and fluid flow altered in character. Several deposits in the Lokoja District have been investigated in detail and they include both oolitic iron stones and rubble iron stone. The main deposit areas are known as Agbaja north of Lokoja Town and to the west of the Niger River, Koton Karfi in the northeast and Bassa to the south-southeast. The oolite horizon is generally preserved a few metres below the upstanding mesa plateau surface that is itself preserved by a cuirasse lateritic cap.

The oolite horizon is described as being about 10.0m thick with generally 45-53%Fe determined from an earlier drilling campaign at Agbaja that suffered from very poor core recoveries. Major elements from trench samples are listed in Table 3.

In natural exposures the oolite is up to 16.5m thick and it is more than 12.0m thick over large areas. The upper and lower limits are not always well defined, but taking the top at the first appearance of oolite in the laterite and the base at the lowest level with oolitic texture, the average thickness in the area investigated by drilling is 14m. The minimum and maximum thicknesses are respectively 7.0m and 16.7m.

The thickness of material above the oolite is variable with 11.9m recorded near Koton Karifi, but the average is generally from 0m to 8.53m, as over parts of the Agbaja and Bassa plateau, the oolite occasionally outcrops at the surface.

Specific gravity determinations averaged 2.17 for the major oolite types while goethite bands recorded up to 3.6. Five new test pits were started but remain incomplete due to the onset of recent heavy rains. Samples from this exercise have just reached the laboratory.

Goethite is by far the commonest mineral in the ironstone and magnetite is a common constituent of the ironstones and may be abundant even in the highly oxidized surface rocks. It occurs as evenly distributed minute round granules which rarely exceed 0.005mm in diameter and average about 0.003mm.

Drilling at the Agbaja ironstone deposits commenced in May, 1952 with 30 holes drilled for a combined total of 607m. In addition a shaft was sunk at borehole GSN-BH1120 to obtain channel samples of the ironstone for comparison with core and sludge samples from the borehole since general core recoveries from the drilling was less than 50%.

We consider that there is an exploration target of some 1.6-2.7Bt of potential iron mineralisation grading in the range of 48-53% Fe which is explained in more detail below. However, the potential quantity and grade of these targets is conceptual in nature and there has been insufficient exploration to define a JORC Code compliant mineral resource. In addition, it is uncertain if further exploration will result in the determination of a JORC Code compliant mineral resource.

KCMN holds seven licences covering 144.4km² of Proterozoic terrane that hosts, in portions, several discontinuous horizons of BIF manifesting as magnetite quartzites. These tenements have been grouped into three projects; Choco Choco, the Southwestern Leases and the Southeastern Leases. Access to the margins of the leases is generally reasonable via bitumen or dirt roads but access into the interior of all licenses is along footpaths over some rugged terrane.

For the BIF deposits current grade estimates are unfortunately only based on sporadic grab samples and there is insufficient information to form a qualified opinion for any of the deposits. Detailed exploration including mapping, possibly additional ground geophysical surveys, judicious channel sampling from trenches and drilling are all required in all localities. No resource estimates for any of the BIF or magnetite quartzite deposits can currently be attempted.

An initial exploration budget of \$6.95M has been proposed to cover the initial program of work. Additional funds will be required for the second phase exploration program after consideration of drilling results from the initial program.

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The Directors,
 Energio Limited
 21 Teddington Road
 Burswood
 Western Australia 6100

8th October, 2011

Dear Sirs,

1.0 Preamble

At your request Al Maynard and Associates (“AM&A”) has prepared this independent geological report on the mineral assets that KCM Mining Holdings Pty Ltd (‘KCM’) owns through its 75% Nigerian subsidiary KCM Mining Limited (‘KCMN’) that are located in Kogi State, Nigeria.

Previous estimates of quantum of mineralisation associated with the Nigerian Deposits and projects were generated prior to the introduction of the JORC Code guidelines for the reporting of identified mineral resources and ore reserves. Due to the lack of original digital data, AM&A is unable to fully determine the consistency of the estimates with the December 2004 JORC Code guidelines. On this basis, readers should be aware that the estimates therefore cannot be reported as ‘resources’ or ‘reserves’ under the JORC Code guidelines. While we consider that the estimates of previous mineralisation generated for the Nigerian projects provides a reasonable reflection of the quantum and grade of mineralisation, there is no guarantee that re-classification will occur in the short term or at all. The most advanced reported project areas are:-

Iron Projects
Agbaja; Koton Karfi, Bassa
Itakpe;
Ajabanoko
Kakun
Choco Choco
Toto Muro
Tajimi

Table 1: List of Primary Project Areas.

This report has been prepared for inclusion in a Prospectus to be dated on or about 15 November, 2011 to be issued by Energio Ltd, a public listed company (ASX:EIO), that is in the final stages of completing the acquisition of KCM. This Independent Geological Report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (Valmin Code) and the rules and guidelines relating to Independent Expert Reports set out by the ASIC –Regulatory Guidelines 111 & 112.

The information in this document which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences (“AIG”), a Corporate Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for reporting of Exploration Results, Exploration Targets,

Mineral Resources and Ore Reserves”(JORC Code). Mr Maynard consents to inclusion in this document of the matters based on this information in the form and context in which it appears.

AM&A has had no input into the formulation of any of the mineral tenements under review. This geological report has been prepared by AM&A strictly in the role of an independent consulting geologist. The present status of tenements listed in this report is based on information provided by KCM and the report has been prepared on the assumption that the tenements will prove lawfully accessible for evaluation and development.

KCM has warranted to AM&A that full disclosure has been made of all material information in its possession or knowledge and that such information is complete, accurate and true. None of the information provided by KCM has been specified as being confidential and not to be disclosed in our reports. As recommended by the Valmin Code, KCM has indemnified AM&A for any liability that may arise from AM&A’s reliance on information provided by KCM or not provided by KCM.

Fees for the preparation of this report are being charged at normal commercial rates with expenses being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions of this document, nor on the outcome of the potential acquisition of KCM by Energio.

Site visits have been made by the author to the project area in the recent past (17th -27th February, 2011). Information used in the preparation of this report has been derived from technical information provided by KCM and other publicly available data. The writer is generally familiar with the various relevant geological settings and styles of mineralisation and combined with the technical data available is able to make informed comments on the project areas.

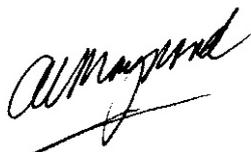
We are of the opinion that KCM has satisfactory and clearly defined exploration and expenditure programs which are reasonable having regard to the stated objectives of the Company and sufficient exploration work has taken place in the past two years to justify the budgeted exploration and expenditure program.

KCM’s exploration programs have been phased over two years, but they may be altered in view of results gained which could revise the emphasis of current priorities.

AM&A observes Section 947B of the Corporations Act 2001 (Cwlth). In accordance with Corporations Regulation 7.6.01(1)(u) and Corporations Amendment Regulations 2003 (No. 7) 2003 No. 202, this Independent Consulting Geologists’ Report is not financial product advice but is intended to provide investors with expert opinion on matters relevant to an investment in the Company.

Allen J Maynard and AM&A are not operating under an Australian financial services licence and the advice in this Independent Consulting Geologists’ Report is an opinion on matters other than financial products and does not include advice on a financial product.

Yours faithfully,



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

2.0 Introduction

The Company is currently listed on the ASX as a Toy and Gaming company. At the Annual General Meeting to be held on 30 November 2011, the Company will seek approval for a change to its activities.

As announced to the market on 4 April 2011, the Company has exercised its call option with TGP to acquire 100% of the fully paid ordinary shares in KCM from TGP. KCM Australia owns 75% of the shares in KCMN, which owns of a package of iron ore licences in Kogi State, Nigeria. The Company has also entered into an agreement to acquire the remaining 25% holding in KCMN from Bedford CP Nominees Pty Ltd.

KCMN is a mineral exploration and resource development company with exploration tenements covering 426.65km² comprising 16 Exploration Licences (“ELs”) in Kogi State, Nigeria (Table 2). KCM owns 75% of KCMN that holds the 16 tenements over 7 Project Areas, 14 of these have been formally granted. The Company understands that the remaining 2 will be granted in due course.

There exists two opinions on the Company’s access to granted title covering the mineralised zones of interest. One has it that there is 122km² of available ground and the other is that there is 151.7km² available. Instead of writing two separate reports to cover both ‘Options’ we have combined them both into this one report.

The portfolio of exploration tenements covering the projects includes numerous known occurrences of iron mineralisation in Kogi State, Nigeria.

The Company anticipates it could rapidly establish an iron feedstock production operation at Agbaja subject to satisfactory completion of the proposed Phase 1 drilling program.

The criteria for acquisition of the tenement packages was to target project areas in regions containing previous exploration activities that may be amenable to development through the successful application of modern, more-efficient exploration and mining methods.

The primary focus is on the plateau oolitic iron mineralisation licence areas north, south and east of Lokoja known as Agbaja, Koton Karfi and Bassa respectively and secondly on the magnetite quartzite (“BIF”) iron deposits.

In many of the areas residual cuirasse obscures key portions of the outcrop over many mineralised areas. Mineralisation potential estimates are based on the aeromagnetic survey data interpretation coupled with close spaced ground mapping augmented by drillhole data.

The Okene Magnetite Quartzite Deposits occur in the Okene district that is in the northwest portion of Kogi State to the northeast of Lagos. Access in the area is good on bitumen highways with final ground access via local tracks and footpaths.

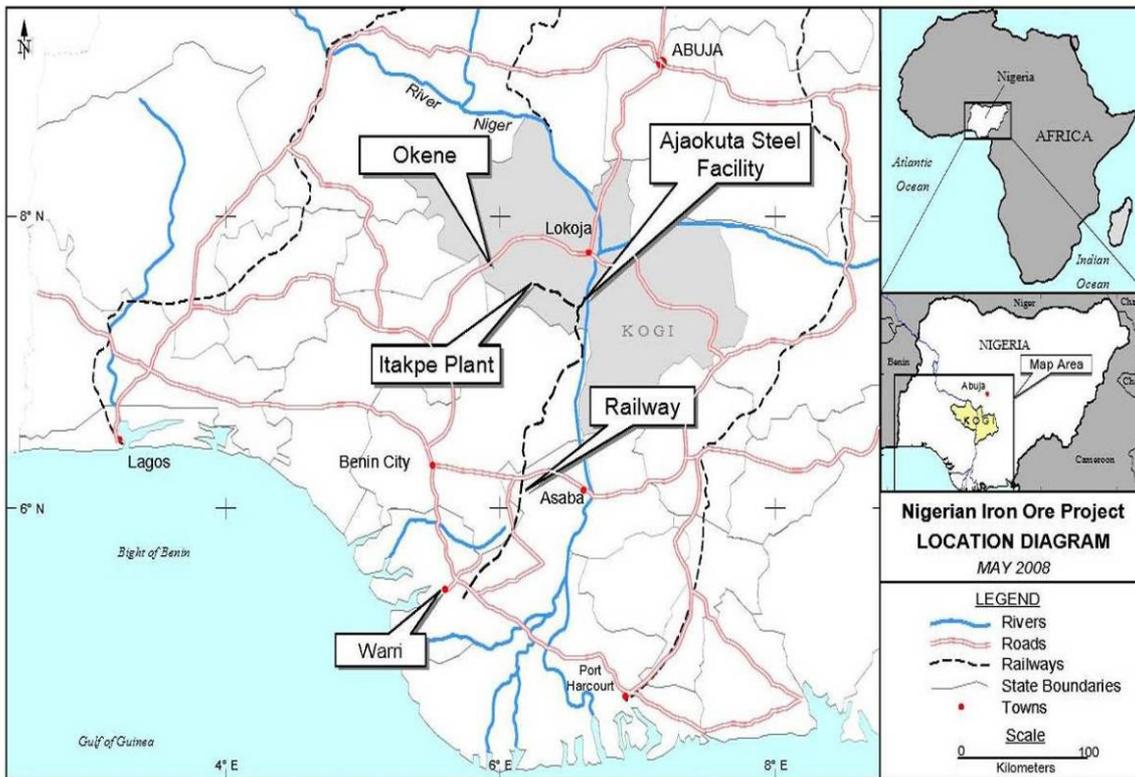


Figure 1: Nigeria, Kogi State Iron Projects Location Diagram.

Energio proposes to carry out further exploration on the mineralised areas on its tenements. Some advanced exploration techniques have recently been used on a number of these mineralised areas within the tenements.

3.0 Tenure

KCMN holds 16 ELs covering between 426.65km² as listed in Table 2.

All tenements are located near infrastructure which includes, in some cases, roads, rail, power and water.

No	EL Licence Number	Name	Mineral	Holder	Area km ² (Cadastre records)	Granted	Expires
1	6350	Koton Karfi	Iron Ore	KCMN	22.4	13/04/10	13/04/13
2	6351	Okene	Iron Ore	KCMN	22.4	13/04/10	13/04/13
3	6352	Okene	Iron Ore	KCMN	12.8	04/05/10	04/05/13
4	7060	Ajaokuta	Iron Ore	KCMN	12.8	13/04/10	13/04/13
5	7061	Ajaokuta	Iron Ore	KCMN	12.8	13/04/10	13/04/13
6	8583*	Agbaja	Iron Ore	KCMN	169.2	13/04/10	13/04/13
7	8886	Agbaja	Iron Ore	KCMN	17.8	13/04/10	13/04/13
8	9791	Lokoja	Iron Ore	KCMN	34.6	23/08/10	23/08/13
9	9792	Lokoja	Iron Ore	KCMN	38.6	23/08/10	23/08/13
10	9793	Lokoja	Iron Ore	KCMN	10.4	23/08/10	23/08/13
11	9794	Bassa Nge	Iron Ore	KCMN	7.0	23/08/10	23/08/13
12	9795	Bassa Nge	Iron Ore	KCMN	34.35	23/08/10	23/08/13
13	9796	Bassa Nge	Iron Ore	KCMN	3.0	23/08/10	23/08/13

14	9797	Bassa Nge	Iron Ore	KCMN	6.4	23/08/10	23/08/13
15	10586	Bassa Nge	Iron Ore	KCMN	3.4	25/01/11	25/01/14
16	12124*	Agbaja	Iron Ore	KCMN	18.7	*	*
	TOTAL				426.65		

* Part of EL8583 is being re granted as EL 12124

Table 2: KCMN Tenement Details.

4.0 Location and Access

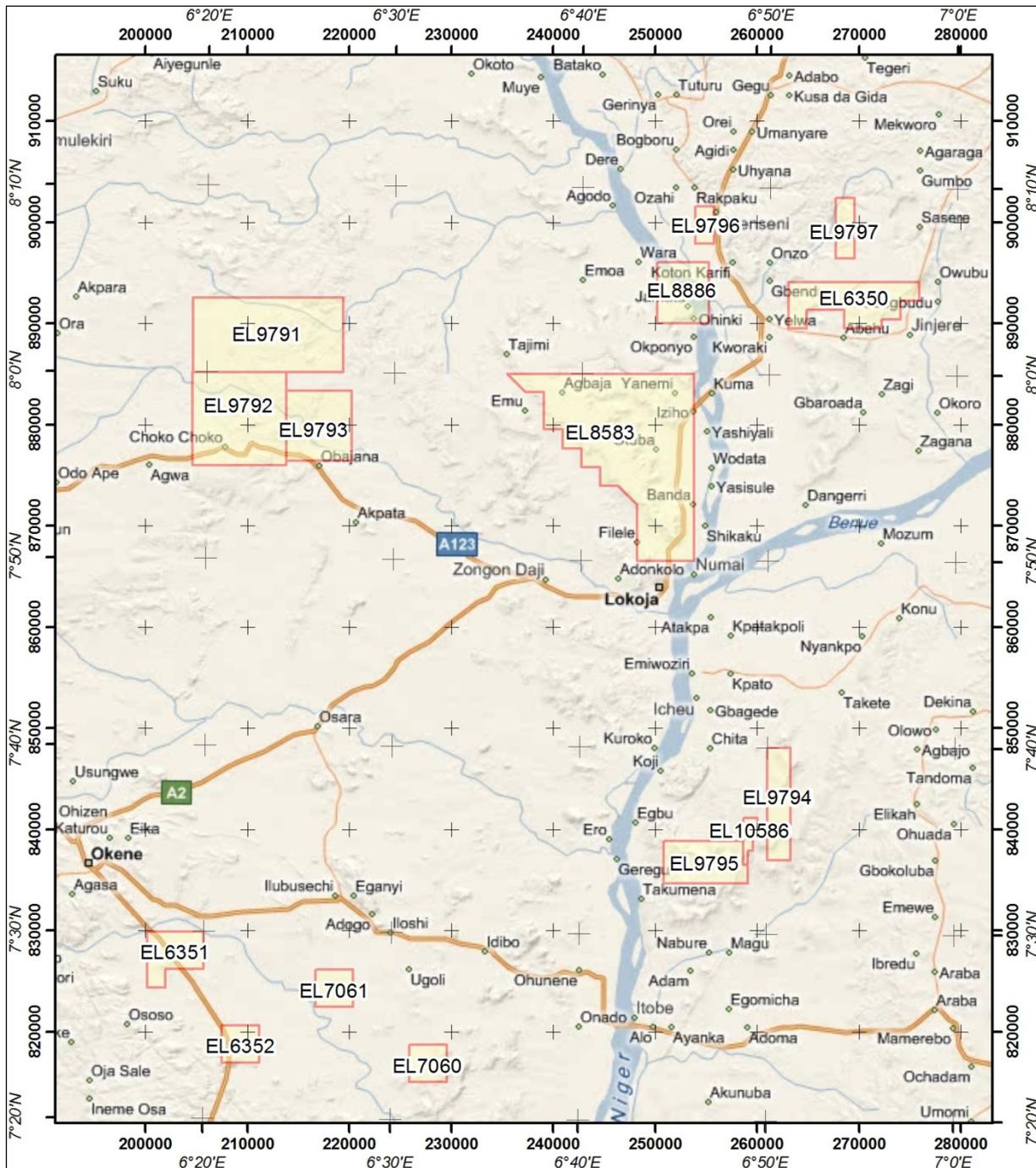
A network of all-season bitumen roads connects the main towns and most parts of the area are fairly accessible except for forest reserves. The River Niger now has two bridges in the area and since there are no falls or rapids the river is navigable around the shifting sandbars to above Lokoja.

The project area is centred on the regional centre of Lokoja some 250km SSW of Abuja the capital of Nigeria; travel time is about three hours by vehicle.

Access to all licences is primarily via bitumen highway from Lokoja north, south, south westwards or east and then where necessary by either small local tracks or footpaths. There is good accommodation at local hotels located in Lokoja where there is also an administration office with all modern communication means.

The nearest railhead is at the Itakpe processing facility and terminates to the south at the Delta Steel Facility near the Warri Terminus only some 30km from the coast.

The area is relatively flat with some cuirasse covered areas. The peneplain is generally at 170masl. Small hills, some with partial cuirasse cover, rising up to 550m occur sporadically within the area.



* Part of EL8583 is being re granted as EL 12124
Figure 2: KCMN ELs near Lokoja and Okene – Tenement Map.

5.0 Geography and Geomorphology

The area contains several ethnic groups and is thus typical of the ‘Middle Belt’ of Nigeria. In Bendel State most of the population is of Amai origin, but, as in the other states covered, a significant Yoruba element is also present. In the southern part of the Kabba area, Igbirras occupy a large area centred on Okene. Further north however there is an increasing mixture of ethnic groups, including Hausas, Gwaris and Nupes. Along the River Niger the Bassas are frequently encountered. The population density varies considerably over the area, being denser towards the south and the west.

The vegetation cover over the basement rocks and much of the sedimentary rocks is ‘Guinea Savannah’ with denser gallery forests fringing some of the rivers and the steeper slopes

formed by outcropping Cretaceous rocks where they immediately overlie the basement. Cash crops such as cocoa and rubber are grown in the southwest and south and oil palms grow generally east of the Niger River.

The majority of the area is drained by the Niger-Benue river system. The River Niger rises in the Fouta Djallon Highlands about 3,520km from its confluence with the River Benue at Lokoja, below which it continues as the lower Niger. The enormous contribution of the Benue with local water from the northeast has a pronounced effect on the hydrological regime of the lower Niger. There is a marked double maximum of high-water levels, the first as the 'Black Flood' caused by rains in the headwaters and augmented by Benue River input that causes high water levels in August to November. The earlier minor floods are caused by local rains in the north of the region. The major river draining the project area is the Ubo River that rises near Okene and flows southeast to the Niger River.

The drainage density on the basement is mostly higher than that on the sediments. The streams are mostly rectilinear, being controlled by east-northeasterly joint systems in the older rocks.

The general elevation of the area ranges from about 30-43m along the alluvial plains of the Niger and Benue valleys and about 640m around Okene and Ososo and in the area north of Kabba. The highest point in the area is 571m in the Semolika Granite Hills. Over much of the area the land is fairly elevated; reaching high points over the older granite masses.

The high relief as compared with some areas of similar geology in other parts of Nigeria represents dissected remains of an even older post-Gondwana erosional platform that has been eroded into the extensive African surface. Each of the two main surfaces then drops through a zone of dissection to the 'Niger' surface, which in turn drops through a similar zone to the alluvial tracts of the Niger valley. Where the zones of erosion are narrow between platforms there may be a marked escarpment between the two peneplaned surfaces as occurs at Choco-Choco where the African surface gives way to the Niger surface.

Fairly homogeneous, widely jointed bodies of granites tend to form smooth exfoliated dome shaped hills standing above joint-controlled valleys while migmatites tend to form whale-back features. At Okene steep-dipping granite-gneiss and migmatite give rise to knife-edged ridges where bands of quartzite form hog-back ridges covered by rubble of quartzite fragments.

In some areas, particularly in the southwest, comparatively thin bands of quartzite and even quartz-schists form distinctive linear ridges because of their greater resistance to weathering. In areas of Cretaceous sediments outliers of sandstones capped with laterite cuirasse stand out above exposures of basement rocks as mesas and are particularly well displayed at Mount Patti near Lokoja and in the nearby Agbaja Plateau.

6.0 Regional Geology

6.1 Introduction

The Precambrian rocks of Nigeria may simplistically be grouped into three principal subdivisions of the ancient gneiss migmatite complex, the schist belts and the tectonically deformed plutonic series plus affiliated minor rock units that bear imprints of the 2.7Ga Liberian, the 2.0Ga Eburnean, and the 650Ma Pan African tectonic events with the latter being the most widespread. Older ages >3.0Ga have more recently been indicated from some of the Archaean terrain.

The Precambrian terrains may have been part of an Archaean proto-shield that was later affected by Proterozoic crustal activities and subsequent evolution of the Phanerozoic basins.

Overlying these older assemblages are Cretaceous to Tertiary sedimentary sequences deposited in five large basinal areas notably the Mid-Niger, the Benue Trough and the Anambra Basin of Cretaceous ages, the Tertiary Sokoto (Illumeden Basin) and the Chad and the Niger Delta Basin of Tertiary to Recent age respectively.

Two main styles of iron ore deposits occur in Nigeria. Magnetite Quartzites ("MQ") and Banded Iron Formation ('BIF') occurs mostly in folded bands and lenses associated with the Precambrian meta-sedimentary schist belts prominently outcropping in the north western and central half of the country.

The Cretaceous sedimentary oolitic iron deposits occur prominently in the Agbaja district in the North Central and the Nsude district in the South Eastern zones of the country. In Kogi State there are also minor limestone and marble deposits and in the south of the state are some poorly developed Coal Measures.

6.2 Geology of Kogi State, Lokoja- Auchi Area

The basic map sheet depicts Basement complex rocks over some 7,770km² and the remaining 4,920km² with sedimentary rocks ranging from Cretaceous to Recent.

Particular attention was paid to areas with iron rich rocks in the Okene and Lokoja areas however the main Cretaceous oolitic iron deposits of Agbaja occur just north of this basic map sheet and are described below.

Little geological work was carried out in this area until after the Second World War.

The first detailed systematic mapping of the area was undertaken by Shell-BP Petroleum Development Company of Nigeria, limited to over the southern sediments with the balance of the northern area being mapped by the Geological Survey of Nigeria after 1963.

Recent Alluvium
Upper Senonian to lower Eocene sediments
Basic Intrusives
Older Granites
Charnockitic and Basic Intrusives
Migmatite-Gneiss Complex
Metasediments

The Migmatite-Gneiss Complex occupies the central part of the area underlain by the Basement Complex, and consists of fairly uniform biotite and biotite-hornblende-gneisses with locally intercalated bands of amphibolite and quartzite. It has a more or less migmatitic appearance which shows plastic deformation.

The metasediments, in spite of a fairly high degree of metamorphism, present a general aspect considerably different from that of the Migmatite-Gneiss Complex and show many distinct features indicative of sedimentary origin. They occur in three main areas, the north-northwest, the southwest and the east; those in the north and northwest are assigned to the Kabba-Jakura Formation and the others to the Igarra Formation. The two formations are tentatively equated as there are few detailed points of comparison. Schists, quartzite, marble and a semi-flat-lying gneiss of doubtful origin, referred to as the Obajana Gneiss Member, constitute the main rock-units of the Kabba-Jakura Formation. Fine-grained-quartz-schist, mica-schist, quartzite, meta-conglomerate and a calc-gneiss with associated marble essentially form the Igarra Formation both in the southwest (type-area) and in the east (Niger area). In the Niger area however, a finely banded biotite-gneiss occurs which possibly represents either another lithofacies or a horizon not outcropping to the west.

Bodies of a generally dioritic rock showing charnockitic affinities appear to have intruded the Migmatite-Gneiss Complex and there is some evidence that they also cut the metasediments and some small bodies of rocks of gabbroic and diorite composition have been found within the Migmatite-Gneiss Complex and the metasediments. The suggestion of a charnockitic origin and emplacement is purely conjectural.

The period of tectonism, during which the Migmatite-Gneiss Complex and the metasediments were strongly folded, and a following period of plutonic activity culminating in the emplacement of many large bodies of porphyritic adamellite and granodiorite were major events in an Older Granite orogeny. The largest number of, and most reliable, radio-active age determinations on the Basement Complex in Nigeria has been carried out on Older Granites and show that the culmination of Older Granite emplacement occurred about 500 million years ago. During the orogeny, and probably roughly contemporaneous with the main phase of Porphyritic Older Granite emplacement, large volumes of country rock, probably mainly metasedimentary schists, were granitised to form granite-gneisses. The amount of metasomatic activity which took place during Older Granite times was so great that, to a large extent, it might have obscured signs of other possible orogenies. Such orogenies could be postulated for the formation of the Migmatite-Gneiss Complex and could be assumed to be an essential pre-requisite for the emplacement of the Charnockitic rocks.

Dolerite dykes that are demonstrably younger than the Older Granites have been intruded on a small scale along east-northeast trending fractures. It is tentatively assumed that they are pre-Cretaceous as they have nowhere been seen to cut through Cretaceous or younger sediments. The Cretaceous Coal measures overlie the Basement Complex with a marked unconformity. They consist mainly of sandstones, shales and clays with a few coals, indicating deposition in a shallow water lagoonal environment. Beds of the Imo Shale Formation are thought to conformably overlie the Cretaceous to the south and southeast of the area.

Where outcrops of calc-gneiss occur the dark bands resist weathering to a much greater degree than the softer light bands and consequently stand out in high relief. Although the banding is fairly regular some wedging out, bifurcation and variations in thickness are to be seen along the strike. The darker bands, some black, some greenish, are usually 3mm-5cm, but are mostly between 6mm and 13mm. The lighter bands which may be pure white or pale

green are generally between 3cm-8cm in width. There are comparatively few outcrops where the strike of the banding is straight for more than a short distance. The lower degrees of competence of the lighter-coloured bands have usually resulted in complex microfolding, giving the rock a generally crumpled appearance. In these circumstances the general continuity provided by the darker bands is remarkable. But in places individual bands appear to have been ruptured by small bodies of calcite. These are considerably coarser grained than the calcite normally occurring throughout the body of the rock and appear to have been derived from the lighter bands by processes of recrystallisation and aggregation. Many examples have been observed of this incipient migration of calcite and, in localised areas, such as near the Igwe Marble Deposit.

An intrusion has taken place over an area of several square metres. A similar process, although on a larger scale, is assumed to have been responsible for the formation for many of the bodies of marble recorded on Sheet 62. This is inferred from the generally close association of the marble with calc-gneiss, the discontinuous nature of the bodies, and their presumably lenticular shapes. An overall homogeneity and coarse grain texture would normally be expected in bodies where intrusion had in fact occurred. In these occurrences however the homogeneity is marred by a localised, diffuse, streaky banding. Since this banding is very different from the calc-gneiss banding, it may be open to interpretation as a flow structure. There are, in addition, some finer-grained marbles of limited width which appear to be banded within the calc-gneiss. They are usually less pure than the coarse-grained marbles and probably represent more closely the original rocks from whence the larger intrusive bodies of marble were derived.

The occurrences of marble are described in greater detail in the section on economic geology below. The persistence of individual bands is variable and may locally be such that they maintain their identity for considerable distances within all outcrops. More commonly, however the dark bands are subordinate to the light, show the defined boundaries and do not persist for more than a few centimetres. Locally banding may be virtually absent, in which case the dark mineral aggregates form a rough foliation. In some occurrences foliation in the gneiss can only be clearly observed in outcrop, and in hand specimen appearing almost massive.

Banding, or the approach to it, as described above is essentially a mineralogical segregation. There also occur other bands in which the distinction with the enclosing gneiss is more lithological. Amphibolite bands are most distinctive and are usually to be found throughout the area underlain by the Migmatite-Gneiss Complex although locally they may form swarms. To the south-east of Kabba, intercalations of more normal melanocratic migmatite become progressively dominant until, towards Okene, the amphibolite practically disappears. A high degree of persistence is often noticeable wherever shear or plastic flow is not particularly intense. The bands vary in width from a few millimetres to several decimetres, groups where thin and thick bands occur together being usual whilst bifurcation is fairly common. These amphibolitic bands probably represent pre-metamorphic lithological distinctions. In a similar way these differences may account for locally persistent leucocratic ribbon-banding, generally of granodioritic composition. There are however, few criteria other than persistence and concordance by which such bands can be distinguished from others due to migmatisation.

Straight or slightly curving hog-back ridges of both rock-types are a notable feature of the topography to the east of Okene. The gneiss in this area is poorly exposed and it is not known to what extent it represents the underlying rocks. The iron formation rocks are essentially hematite-magnetite-quartzites or quartz-schists. The association and concordance of the larger bands with normal pure quartzites is a notable feature, as is their good banding, and lack of migmatisation.

The degree of magnetisation varies from one part of the Migmatite-Gneiss Complex to another, from outcrop to outcrop and even within a single outcrop. As a general rule, however, it increases from east to west; the rocks in the Kabba area for example, appear to have been affected more than those near Lokoja. Further, in the Kabba area, the migmatites have a 'soaked' appearance, a phenomenon uncommon in the east where the neosome generally forms discrete veins.

An outcrop representative of a large part of the Migmatite-Gneiss Complex is typically a biotite-hornblende-gneiss with some concordant amphibolitic bands, as described above. Such gneiss frequently shows signs of plastic deformation and is infused by quartzite-felspathic veins and bodies.

The neosome is not always obvious in the field, partly because of a frequent concordance of the quartz-felspathic veins with palaeosomatic banding and also because of variable metasomatic effects. Basified selvages, usually of biotite or hornblende (depending on which is the dominant ferromagnesian mineral in the palaeosome), are common in the veins and indicate that even where these appear to be intrusive. Some metasomatism at least, has taken place, before profound metasomatism occurs where the mineralogy and perhaps, the structure of the host, has permitted. The differences in chemical and mechanical permissibility between the amphibolite bands and the nearby gneiss, is divided by the different behaviour of the neosome on traversing these rocks. Within the amphibolite, veining is usually discrete (except where the general level of metasomatism is high) and follows zones of structural weakness such as boudin necks, shear and banding, whereas in the more permissive gneiss diffusion and metasomatic effects are more common.

A large measure of structural control of migmatization is usual. Commonly the rock appears to have been 'sheared' along sub-parallel planes, or in two directions at an acute angle. The sense of movement may, locally be dominantly in one direction, but no correlation with major shear zones has been observed. A pronounced drag to each side of the 'shear' plane indicates that a high degree of elasticity obtained at the time of formation and because of this, the structure cannot be strictly regarded as true shears. The 'shear' planes appear to have afforded easy paths of ingress to the migmatization, which is concentrated along them.

6.3 Economic Geology

6.3.1 Iron Mineralisation

The BIF of Nigeria generally occurs in metamorphosed folded bands, associated with Precambrian basement complex rocks which include low-grade metasediments, high-grade schist, gneisses and migmatites. Included in this group are the well known Lokoja-Okene District ('LOK') occurrences that form the western core of the project area. There are other minor BIF occurrences in western parts of Nigeria that occur sporadically in narrow bands and lenses interbedded with pelitic and semi-pelitic phyllites and schists. In some cases, especially around Tsofon Birinin Gwari they are interbanded with garnet-quartz mica schist, lenticular bodies of orthoquartzites and carbonaceous schist. In the Maru area they are interbedded with massive green phyllites, feebly developed slaty rocks, flaggy tuffaceous materials and amphibolites.

The BIF layers vary in thickness from about 3cm to 5m and are commonly found in groups intercalated within surrounding country rocks or as isolated thin units. The bands have variable strike extent with some stretching, though discontinuously, over several kilometres.

The Cretaceous sedimentary oolite iron formations are described as sedimentary but are in fact partly lateritic and fluid flow altered in character. Two deposits in the Agbaja Plateau area have been investigated in detail by earlier workers and they include both oolitic iron stones and rubble iron stone at Enugu. Similar iron stones have been found as caps of varying dimensions on some Cretaceous successions of the Illumedun and Niger embayments notably around Koton Karfi and Bida Basin.

The most notable iron ore occurrences that have open pit mining potential in the project area include Itakpe, Ajabanoko, Kakun, Choco Choco, Toto Muro, Tajimi, Ebiya, Ero, Echak'araku, Ozenyi, Udiarehu, Agbado-Okudu and some others. They occur as bands and lenses of banded and sometimes massive BIF dipping between 21⁰- 85° and mostly conformable to the host rocks.

The tabular mineralised zones, up to 45m thick, and extending for distances from hundreds of metres to over 5km, are developed to a depth of over 300m, and are often displaced by small to large faults.

The iron mineralisation is mostly fine grained magnetite (and/or hematite as a minor alteration product) with quartz, biotite and amphiboles in the groundmass. Iron content ranges between 15-65% averaging 33%. For the major prospects, rich iron zones exceeding 50% Fe constitute some 4.5% of the area of the prospects while 30-50% Fe material constitutes about 85.4% of the prospect's arera. Sulphur and phosphorous levels are low while the high silica and alumina could potentially be reduced in a beneficiation process.

The Ajabanoko Deposit is interpreted as being genetically related to the Itakpe Deposit, being located in the northern limb of the Itakpe-Ajabanoko anticline where it dips northwards. The Choco Choco deposit is predominantly magnetite BIF comprising 3 to 5 bands whose total thickness increases with depth and can be traced to 150m down dip.

Detailed historical investigations by the V/O Technoexport of USSR for the former Nigerian Steel Development Authority (now National Steel Council) and by the Associated Ores Mining Company Ltd. showed that 13 of the 25 bedding units at the Itakpe ridge were considered by them to be economically mineable at that time. The details of the economic parameters used are not available.

6.3.2 Marble

Occurrences of marble have been recorded within and near 1:250,000 sheet no.62 (Lokoja) since the earliest years of geological investigation in Nigeria.

Jakura was discovered by the Mineral Survey of Northern Nigeria (Dunstan 1911), and subsequently investigated by the Geological Survey between 1949 and 1957 with the aid of core drilling methods. The greater part of the deposit is just beyond the northern boundary of Sheet No. 62; as is the quarry from which a commercial company explored the marble for purposes of polished decorative stonework. Other deposits occur to the north of the block; the mineralised zone outcropping in Sheet No. 62 occurs just to the south of the block.

The Ukpilla Deposit was discovered by the Geological Survey in 1948 and investigated by core-drilling methods in 1961. Seventeen boreholes totalling 961m were drilled. The marble is generally white and coarse-grained although darker and finer grained parts occur frequently. Calcium carbonate content is high. The percentage of magnesia is below the accepted maximum for the manufacture of cement, and a cement manufacturing plant has since been producing Portland cement from this deposit.

A drilling program was carried out by the Geological Survey on the Itobe Deposit in 1962. The marble, which is generally dark and fine-medium-grained, was shown to occur as a narrow band trending parallel to the nearby ridge of quartzite.

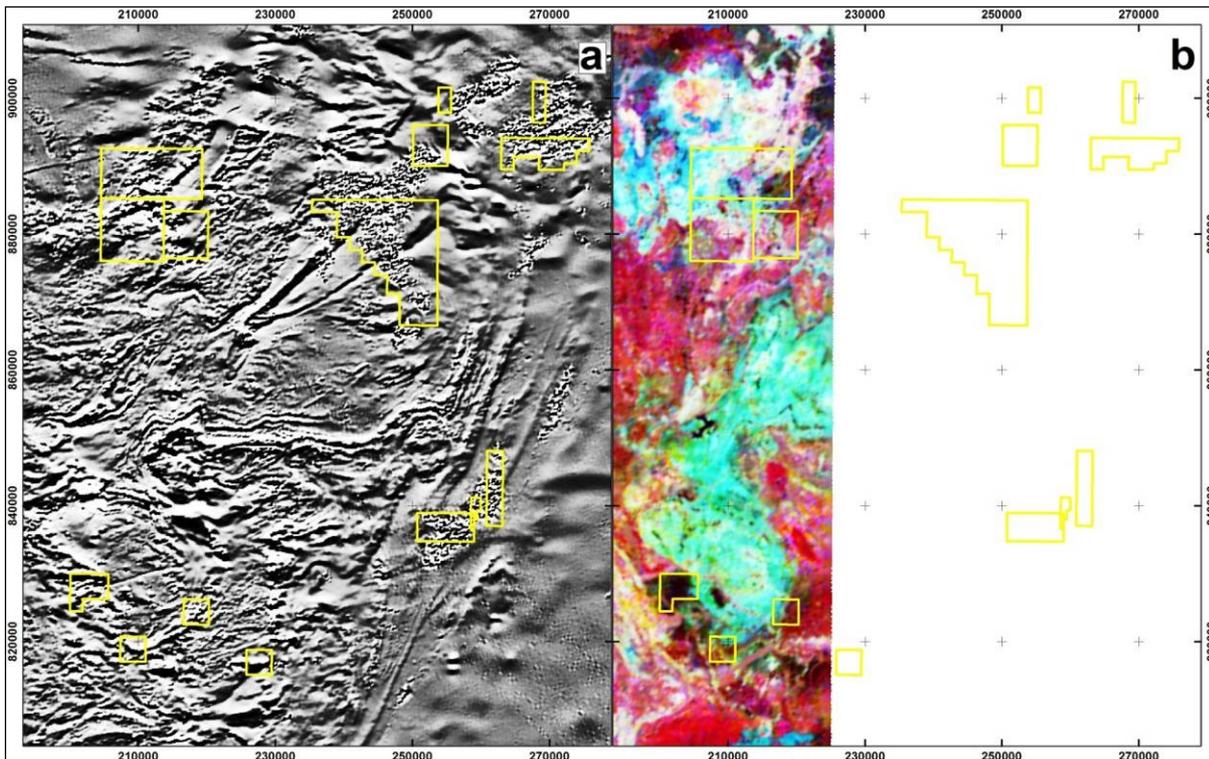
The deposits near Igarra and Oguda Market were investigated on a preliminary basis by the Geological Survey in 1964.

Marble deposits near Igwe, I Ekpeshi, the Ubo River and at various localities to the north, west and east of the Ukpilla Deposit were discovered and were examined in greater detail. The Igwe and Ubo River deposits are the largest. The former is easily accessible from the Sebe-Ogbe to Otwa road and topographically appears to be at least as well situated for quarrying as the Ukpilla marble. The Ubo River deposit occurs in low hills and first indications were that it may rival the Jakura deposit in quantity that are topographically more favourably placed than any other marble deposit in Nigeria. The cement manufacturing plant at Ukpilla derives some of its raw feed from the Ubo Marble.

6.4 Regional Airborne Geophysical Surveys

A national high-resolution airborne geophysical survey involving the acquisition of magnetic, radiometric and limited electromagnetic data was completed in 2009. Phase 2 of the project acquired magnetic and radiometric data over the Lokoja area. The survey was carried out with a fixed wing aircraft on flight line spacing of 500m and tie line spacing of 2000m with a terrain clearance of 100m.

Magnetic data was acquired over all the KCMN tenement areas and radiometric data only over the basement tenements (Fig 4). These data afford good control on the nature and character of the basement geology in addition to providing a first order means for assessing the distribution of the magnetite bearing mineralisation both within the basement gneiss and sedimentary hosted deposit types.



** Part of EL8583 is being re granted as EL 12124*

Figure 4: Left- Magnetic Data over Tenement Areas (1st Vertical Derivative Magnetic Image); Right Radiometric Data over Tenement Areas (Ternary RGB = K, Th, U Radiometric Image).

7.0 Oolite Ironstone Deposits

7.1 Introduction

The Cretaceous sedimentary oolitic iron deposits occur prominently in the Lokoja District in the North Central and the Nsude District in the south eastern zones of the country.

The Lokoja area has several known oolitic Iron Deposits as depicted in the geological map of the area (Fig 5). The oolite horizon is generally preserved a few metres below the upstanding mesa plateau surface that is itself preserved by a cuirasse lateritic cap. The oolite horizon is described as being about 10m thick with generally 45-53% Fe determined from an earlier drilling campaign at Agbaja that suffered from very poor core recoveries. Weighted averages of assay results of various elements from trench samples are listed in Table 3.

Fe ₂ O ₃	Al ₂ O ₃	SiO ₂	MgO	CaO	LOI	TiO ₂	P ₂ O ₅	S	MnO
72.53	9.02	6.98	0.15	0.37	8.73	0.54	2.15	0.08	0.06

Table 3: Major Oxide Percentages - Agbaja Bulk Samples (Jones 1955).

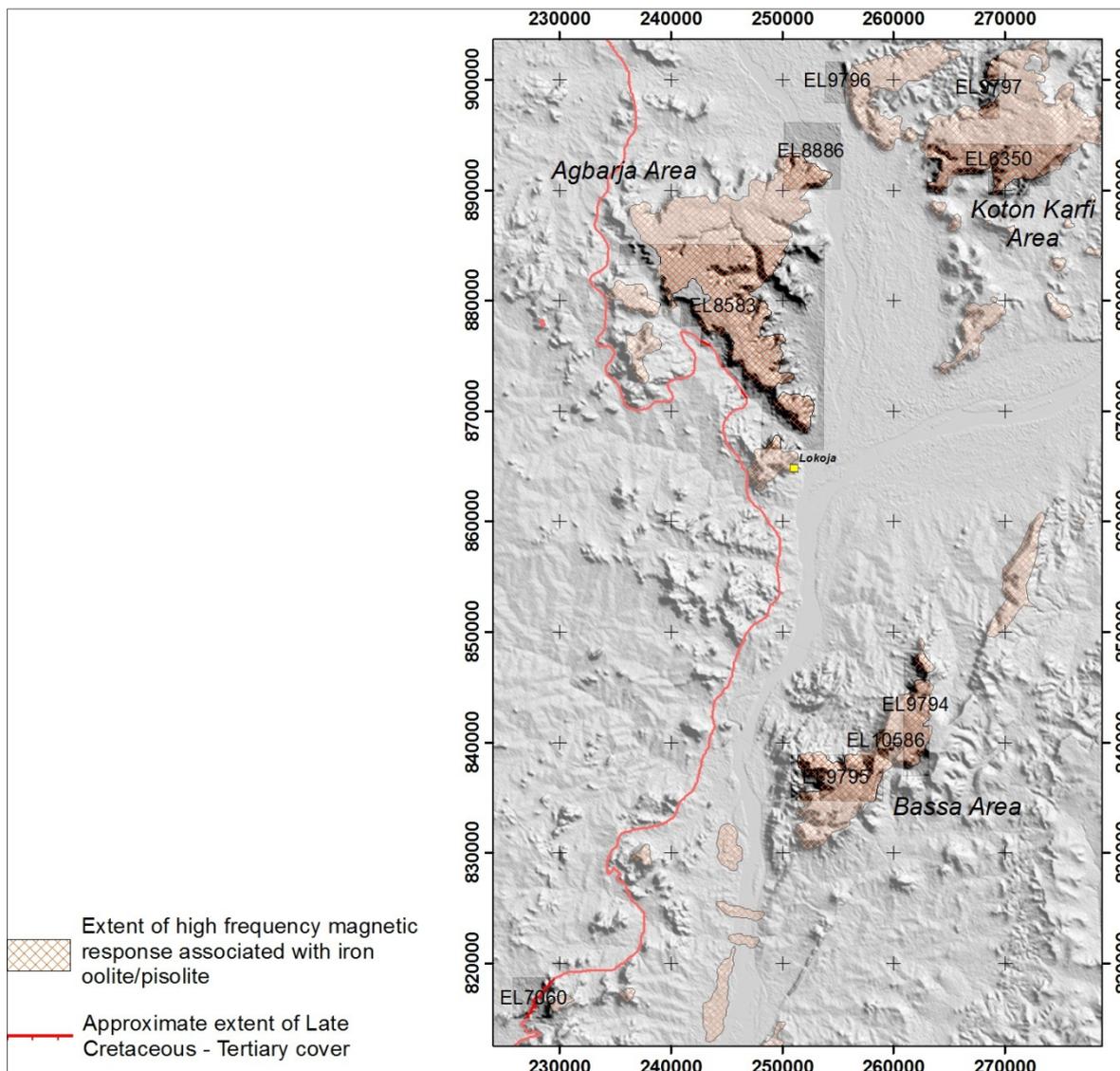
The main mineralised zones are known as Agbaja north of Lokoja Town and to the west of the Niger River, Koton Karfi in the northeast and Bassa to the south-southeast. Five pits were recently dug with work curtailed by the onset of heavy rains. Samples have just reached the laboratory and results are awaited.

7.2 Oolite Deposit Stratigraphy

The sedimentary rocks of this region were first described by Falconer (1911) in Jones 1955, who included them in his Lokoja Series, which he considered to be of Eocene age. The term was used by Falconer to indicate the sediments occupying a very wide area extending along the Niger from Idah in the south to Kontagora in the north and along the Benue for 160km from Lokoja to the Doma hills. The type section at Mount Patti does not include the presence of a carbonaceous shale formation at the top of the succession.

A later description by Russ introduced the term Nupe Sandstones for the sediments around Bida but no type section was given so that the extent of the Nupe Sandstones is not precisely defined, but since 1930 the name has been generally adopted to indicate the sediments of the central Niger basin between Lokoja and Bassa. The terms "Lokoja Series" and "Nupe Sandstones" are therefore largely synonymous and, as both denote extensive tracts of sediments about which little is known, they have only limited stratigraphical significance.

In the Lokoja area a predominantly argillaceous formation conformably overlies a sandy clay-grit and conglomeratic group, which rest unconformably on the uneven surface of the Basement Complex. These are referred to as the Patti Formation and the Lokoja Sandstones respectively and their type sections are exposed in the stream immediately south of the area on the Agbaja plateau where the drilling took place. They extend along the western margin of the Cretaceous sediments from Koton Karifi to the Ate hills in the south.



** Part of EL8583 is being re granted as EL 12124*

Figure 5: Lokoja District Geological Map with Plateaux that control Oolite Locations.
(Map from Crowe, 2011).

To the south-east, near Dekina, the Patti Formation is equivalent to the lower part of the coal-bearing sediments of the Abocho-Dekina region, which are believed to be the Lower Coal Measures of the Enugu area. This indicates that the Patti Formation is of Upper Senonian age, a conclusion which is confirmed by the presence of Campanian to Maestrichtian flora in the carbonaceous beds. Thus the Lokoja Sandstones represent an arenaceous facies of the shales which underlie the western fringe of the Cross River plain at Enugu and in the south-western Idoma Division.

The Patti Formation consists of fine-to medium-grained, grey and white sandstones, grey clays, carbonaceous silts and shales and oolitic ironstone. Thin coals have been recorded and massive, white, gritty clays are common. The maximum exposed thickness of the formation is 68.9m and to the north it thins out completely. The only fossils found are plant remains in the carbonaceous beds. Fossil seeds and other plant fragments are preserved in detail where these rocks have been ferruginised near the surface.

The Lokoja Sandstones are composed of pebbly and clayey grits and sandstones, coarse false-bedded sandstones and a few thin oolitic ironstones. The thickness of the formation ranges from 91-274m and depends upon the relief of the Basement Complex floor. The basal conglomerate, which consists of well-rounded quartz pebbles in a matrix of white clay that is rarely exposed.

7.3 Structure

The area of the Niger-Benue confluence is between the gently warped trough of the middle Niger and the deep depositional basin of the Benue and south-eastern Nigeria. To the north of Lokoja, outliers of the Cretaceous are found many kilometres from the main sedimentary-Basement Complex boundary and thin sheets of the basal conglomerate cover extensive areas.

The Basement Complex floor shelves at a very low angle beneath the nearly flat-lying Cretaceous. In the north-western Igala Division, however, the sedimentary boundary runs relatively straight from north-east to south-west and there are few Cretaceous outliers to the west. Steep easterly dips have been recorded in this area and a series of monoclinical folds, which strike parallel to the boundary and dip east, suggest faulting of the Basement Complex floor and a relatively steep shelving towards the deep tectonic basin to the east.

A borehole drilled by the Shell-BP Petroleum Development Company of Nigeria Ltd at Gwalawo in the Igala Division, 24km south-east of the unconformity bottomed at a depth of 980m without reaching the base of the sediments.

The monoclinical folds mark the eastern limit of oolite-and cuirasse capped plateau in the region. The folds occur along a narrow belt to the east of which the dips are variable, until, in the Dekina District, the regional dip to the south-east takes control and the sediments disappear beneath the False-bedded Sandstones on the western limb of the Anambra Syncline.

7.4 The Oolitic Ironstones

7.4.1 Extent and Thickness

The plateaux around Lokoja have a combined area of over 260km² and all are capped by oolite, cuirasse and laterite. In natural exposures the oolite is up to 16.5m thick and it is more than 12m thick over large areas. The upper and lower limits are not always well defined, but taking the top at the first appearance of oolite in the laterite and the base at the lowest level with oolitic texture, the average thickness in the area investigated by drilling is 14m. The minimum and maximum thicknesses are respectively 7.0 and 16.7m.

The thickness of material above the oolite is variable with 11.9m recorded near Koton Karifi, but the average is generally less, and over part of the Agbaja plateau the oolite occasionally outcrops at the surface. The average thickness of oolitic ironstone in the area drilled is 5.2m.

7.4.2 Lithology

The oolitic ironstones vary considerably in colour, grain size and hardness, but the ooliths are nearly always well developed and show regular, concentric internal structure. The commonest type of ironstone encountered in drill cores and in outcrops is a brown or red rock with ooliths that average about 11mm in diameter (Fig 6).

The ooliths consist of concentric shells of impure goethite of varying hardness around a core which may be of similar material or may be either empty or partially filled with loose ochreous powder. The matrix consists of goethite and clayey material. The ooliths are usually rather closely packed and the rock is soft and breaks easily.



Figure 6: Oolitic Ironstone in Bulk Sample Trench – EL8886.

In a few outcrops and in some of the boreholes grey, black and reddish-black oolites, which are rich in siderite occur at the base of the oolite section. There is no doubt that the red and brown ironstone normally exposed is in part the weathered equivalent of these carbonate oolites. The drilling showed that the base of the zone of weathering is not closely related to the present ground surface. The whole of the oolite section may be carbonate-rich locally, while elsewhere the zone of weathering may extend below the underlying sediments.

The brown goethite oolite and the grey or black sideritic oolite form the bulk of the ironstone (Fig 7). Other varieties which include coarse-grained goethite pisolites, lustrous oolites and pisolites and dull, compact, goethite and magnetite rich rocks are present locally. They are always found in the weathered zone.



Figure 7: Cretaceous Oolitic Sediments, including dark Goethitic Ironstone – Road Access Western Edge of Agbaja Plateau.

Specific gravity determinations averaged 2.17 t/m^3 for the major oolite; while goethite bands recorded up to 3.6 t/m^3 .

7.4.3 Mineralogy

The petrography of the oolites was studied almost entirely in thin section. Ore microscopy proved little partly because of the difficulty of obtaining a high polish on the friable rocks, and partly because the opaque minerals are so finely divided that the comparatively slight effects observable with an ore microscope are difficult to resolve. Polished surfaces however, proved useful in revealing the textures of the harder rocks. X-ray powder photographs, spectrographic analyses and chemical methods were used in a few cases to supplement the optical data.

Goethite is by far the commonest mineral in the ironstone. X-ray diffraction showed that little of the red and brown material usually referred to as "limonite" is truly amorphous, and that most of it gives the goethite pattern. Three varieties occur which differ markedly in appearance in thin section, but give the same diffraction patterns. They have been referred to as goethite, "a-goethite" and "b-goethite".

Goethite is crystalline and anisotropic, with optical properties which agree with those published for the mineral. Only very small amounts are present and most is clearly of secondary origin as the mineral lines cavities or forms small veins in the rock. In hand specimen, "a-Goethite" is black, with a sub-metallic lustre and it forms most of the ooliths in the weathered zone. In thin section it is translucent, brown, yellow-brown or red-brown, and completely isotropic. In plane polarized and oblique reflected light it cannot be distinguished from goethite unless the latter is exceptionally well crystallized.

"b-Goethite" is dull-brown to nearly black in hand specimen and often forms the matrix in which the ooliths of lustrous "a-goethite" are set. It has a yellow streak and resembles typical limonite. In thin section, it is dull-brown to opaque and the translucent areas show faint birefringence. In oblique reflected light it is yellow-brown or dark-brown and is readily distinguished from goethite and "a-goethite", both of which appear grey-brown. Areas of magnetite in the opaque "b-goethite" can similarly be easily detected in oblique reflected light.

Magnetite is a common constituent of the ironstones and may be abundant even in the highly oxidized surface rocks. It occurs as minute round granules which rarely exceed 0.005mm in diameter and average about 0.003mm. The granules may be evenly distributed through the ooliths or groundmass, but more often they are concentrated locally to form concentric zones in the ooliths or rims around them. Sometimes they are so closely packed that they form dense bodies of granular magnetite. The genesis of the mineral is discussed in the section on the origin of the deposit below.

Hematite has only been recorded in a few instances where it forms a thin crust on exposed surfaces of the rock. It usually cannot be distinguished in hand specimen from goethite.

Pyrite is irregularly distributed and as it oxidises readily it is usually found only in the unweathered oolites. Locally, however, thin bands or irregular patches rich in pyrite are found near the surface. In such cases the mineral probably owes its preservation to the compact and impermeable nature of the rock.

Siderite is abundant in the unweathered ironstone and may form practically the entire rock. Evidence of its former presence is often found in the weathered rocks, and occasionally fresh siderite is present in ooliths that consist essentially of ferric hydroxide. The siderite is nearly always stained by goethite where complete replacement has occurred, the alteration product is normally of the "b-goethite" type. Rarely, rhombs of translucent, isotropic "a-goethite" after siderite may occur in a ground-mass of opaque "b-goethite". The optical properties of the mineral suggest that it is very close to the pure iron carbonate in composition.

Chlorites occur as a group of green minerals with variable optical properties found in the oolites. They are usually very finely divided and more or less altered to a brown, faintly birefringent substance probably consisting of ferric hydroxide and clay. The fresher material has optical properties resembling those of the chamosite and thuringite varieties. Attempts to separate enough of the mineral for X-ray powder photography were unsuccessful, and positive identification was not achieved. Recent work by Brindley (1951) in Jones 1955 has shown that much of the material

previously described as chamosite (chlorite) has, in fact, a crystal structure more akin to the kaolin group.

The chlorite occurs in both the oolites and the groundmass. The most common variety is pale-green or yellow-brown in colour and only very weakly birefringent. A faint extinction cross may, however, be visible between crossed nicols. Pleochroism is weak or absent and some of the material is completely isotropic.

Quartz is absent in most of the ironstones but where present it usually occurs as discrete lenses or in pockets of coarse non-oolitic grit or gritty clay in the upper part of the ironstone. The mineral has nearly always been partially replaced by limonite or siderite, or more rarely by pyrite or chlorite. Some of the quartz may be late as it forms pseudomorphs after carbonate rhombohedra, or shows inherited rhombohedra¹ cleavage.

Phosphate analyses of the Agbaja and Mount Patti ironstones show 0.8 -1.3% P (Jones, 1955). These high values indicate the presence of appreciable amounts of phosphate minerals in the rocks. In the weathered oolites, the white powder that commonly fills cavities proved to be a phosphate with a refractive index of between 1.632-1.634. The separated mineral gave an X-ray powder photograph pattern which, with the 9cm diameter camera used was indistinguishable from that of plumbo-gummite which is a hydrated basic phosphate of lead and aluminium. However, the definition was not sufficiently fine to distinguish between the various members of the plumbo-gummite group, or between the plumbo-gummites and some of the isostructural beudantite and alunite groups. Spectrographic analysis showed Fe, Al and P as major constituents, with minor Pb and traces of Ca and Sr, which confirm that the mineral belongs to the plumbo-gummite or beudantite groups. The colour, composition and refractive index do not correspond to any member of these groups. It is nearest to plumbo-gummite itself or to svanbergite, a basic sulphate-phosphate of strontium and aluminium, belonging to the beudantite group. The spectrographic analysis may have given misleading results due to the presence of impurities, but it is possible that the mineral is a hitherto undescribed phosphate.

In the less weathered rocks, the phosphorus may be partly held in the brown, cryptocrystalline or amorphous mineral, cellophane. This mineral was not identified, but it might easily occur undetected in the abundant areas of brown isotropic clay. It is probable, however, that a series of finely divided crystalline minerals are phosphates. The optical properties are variable, but the combination of high positive relief and low birefringence with or nearly uniaxial interference figures supports this view. Variations in optical properties similar to those observed are common among phosphates, and in some cases may be related to hydration.

No detailed examination of the clay minerals was attempted. Most of the clay material is clearly a product of alteration of the chlorites and probably consists of an intimate mixture of kaolinite and goethite. Occasional pockets of iron-free clay provided optical data confirming the presence of kaolinite or another mineral of the kaolinite group.

Accessory minerals include the minerals listed above and are usually the only ones present in the oolite, which is remarkable for its lack of detrital grains. The only other minerals noted were gypsum and epsomite which sometimes coat exposed faces of the rock.

7.4.4 Possible Origin

The origin of the oolites and pisolites which are commonly found in the ironstones capping the sediments of northern Nigeria has not been satisfactorily explained. Ferruginous oolites of probable sedimentary origin have been recorded as being interbedded in sediments and, because of their relatively high resistance to erosion, these would tend to control erosion surfaces in areas where no folding has occurred. In addition, it is well established that oolitic and pisolitic texture can develop under sub-aerial conditions in soils, bauxites and laterites by processes which are incompletely understood and which involve the direct precipitation of sesquioxides in concentric zones around separate nuclei (Fox 1927) in Jones 1955. Field evidence suggests that these textures are most

readily developed in an ironstone sheet which is undergoing dissection and which is subjected to leaching and re-deposition by laterally migrating ground-water.

Examination of thin sections also suggested that oolitic texture may be formed at the outcrop by the development of regularly orientated iron silicate flakes from pockets of clay minerals of the kaolinite group.

Where oolitic ironstones underlie erosion surfaces which do not truncate the bedding planes of the underlying sediments, as is the case near Lokoja, in Sokoto Province and elsewhere, field evidence often cannot distinguish between a sedimentary oolite and an oolitic laterite. Furthermore, mineralogical changes and textural modifications due to weathering under tropical conditions may be so complete as to obscure the original nature of the rock when examined under the microscope.

Great care must be taken in the interpretation of the petrographic data. Microstructures apparently indicative of a sedimentary origin have been noted in pisolitic laterites and bauxites. For example, fractured pisoliths, which suggest the corrosion of detrital fragments during deposition, have been recorded in bauxites by Gordon and Tracey (1952) in Jones 1955 who suggest that they constitute "the remnants of once entire pisoliths that were destroyed by long continuation of the concretionary processes". Similarly, compound pisoliths, in which one or more are enclosed in a single envelope, are common in sedimentary oolites, but have also been recorded by Goldman (1955) in Jones 1955 as being formed by concretionary processes in bauxites.

The study of the limonitic mineralisation of the Agbaja plateau suggests that there are two methods by which fragmentary and compound secondary pisoliths can be formed in a solid rock. The first, which is probably not of widespread importance is by the fracturing of previously formed pisoliths through relative movement within the rock caused by large-scale volume changes, by surface creep or by subsidence due to leaching or squeezing out of the underlying beds. This movement may give a directional texture to the rock by the elongation of the pisoliths or they may be shattered and the fragments drawn out in one plane. The second process involves the disruption in situ of the concentric structure of a pisolith by the solution and re-deposition of the constituent material. The mechanism of this process is not completely understood, but it is believed to be of widespread importance and to be the cause of the extremely complex internal structure so common in the pisoliths of these rocks.

Conversely, oolitic ironstones of undoubted sedimentary origin may provide firm evidence locally that the ooliths grew in a supporting medium, and not, as is generally believed by analogy with calcareous ooliths, by rhythmic accretionary growth in gently agitated waters (Pulfrey, 1933; Caillere and Kraut, 1954) in Jones 1955. Such features as the mutual distortion of adjacent ooliths, the inclusion of groundmass material in their outer zones, and the presence of irregular, concretionary bodies which have clearly grown in a solid medium, cannot, therefore, be taken as being diagnostic of oolitic laterites.

The field evidence, particularly the absence of bedding in the ironstones and their restriction to the high-lying plateau of the region suggests that the Agbaja oolite is of lateritic origin. The study of the petrography of the rocks has shown, however, that there can be little doubt that the and magnetite-rich ironstones are sedimentary oolites, despite the complete absence of fossil debris and mineral detritus. The difference in degree of oxidation of the siderite in the ooliths and in the groundmass is often striking and strongly suggests that the ironstone represents a sedimentary sideritic oolite in which the ooliths had suffered some degree of oxidation before they were incorporated in the sediment. This is a common feature of the Mesozoic marine ores of Europe.

This conclusion is further supported by the heterogeneous nature of ooliths; mainly chloritic, mainly sideritic, and dense, magnetite ooliths that may occur in close juxtaposition in the same slide. Another point in favour of a sedimentary origin is the occasional presence of ooliths containing rhombohedra of goethite after siderite which are truncated at the oolith margin, suggesting that partly oxidized siderite ooliths had suffered abrasion before inclusion in the sediment.

Oolith fragments and compound ooliths are common, and the processes by which these bodies may be formed secondarily seem definitely inoperable in these rocks, which show no signs of disturbance and which have clearly not suffered intensive weathering.

Magnetite has been recorded in a few instances as a minor constituent of laterites, for example by Franche (1941) in Jones 1955 in the Philippines, but it is not common. In the Agbaja oolites the mineral is abundant in the unweathered sideritic ironstones as well as, in the limonitic surface rocks. Magnetite is often found in marine oolitic ironstones and its origin has been variously ascribed to the decomposition of chamosite, or to the oxidation of siderite under conditions unsuitable for the formation of the more usual goethite.

There is no evidence in these rocks that the magnetite results from the alteration of chlorites. The distribution of magnetite is irregular, and where the mineral is abundant the accompanying chlorite is optically indistinguishable from the chlorite found where there is little or no magnetite present. The manner of its distribution and its occurrence with fresh siderite do not suggest that it was formed as an abnormal product of that mineral.

It is concluded that, apart from a little magnetite which may have formed at the outcrop as a substitute for goethite or hematite, the mineral was directly deposited under alternating oxidizing and reducing conditions.

The goethite ironstones are clearly in part the weathered equivalents of the carbonate oolites and therefore must to that extent be regarded as altered sedimentary oolites. Locally, however, they exhibit textures which have no counterparts among the carbonate ironstones and in which the oolitic or pisolitic texture has certainly been modified, and perhaps originated, during the weathering of the rock.

The pisolites which occur irregularly among the weathered ironstones have a much coarser texture than any of the sideritic oolites and they closely resemble pisolitic and botryoidal ironstones of undoubted "lateritic" origin which are found elsewhere.

The lustrous oolites and pisolites which occur in the upper zone of the goethite ironstone show a complexity of internal arrangement of the ooliths which is not found in the carbonate rocks, and there is no doubt that their textures are partly or entirely secondary.

In summary, the sideritic ironstones represent original, sedimentary, siderite-and chlorite-rich oolites in which the siderite has been subsequently recrystallised with removal by leaching of any fossil debris or mineral detritus which may have originally been present. The brown goethite ironstones which usually comprise the whole section in natural outcrops are clearly in part the weathered equivalents of the sideritic oolites which are found locally at the base of the ironstone.

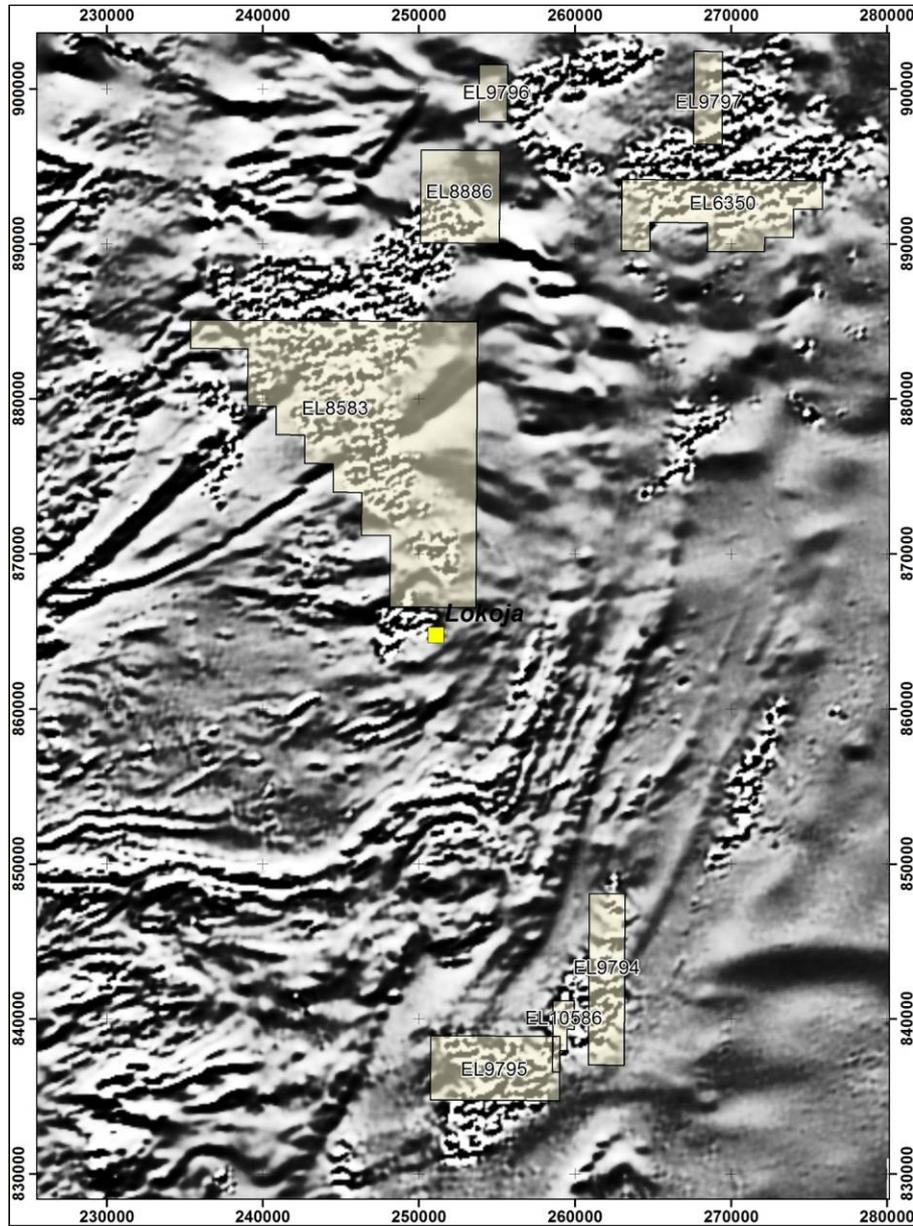
However, they include varieties which have no counterparts among the unweathered rocks, and in which the oolitic and pisolitic textures have certainly been modified and have perhaps originated during the weathering of the rock.

Vertical and horizontal changes in the lithology of the ironstone are rapid and irregular, and, from the available evidence, no general conclusions regarding the relative proportions of sedimentary and lateritic oolites can be made.

7.4.5 Airborne and Ground Geophysical Surveys

The oolite/pisolite mineralisation is characterized by a strong magnetic susceptibility which is prominently defined on the airborne magnetic data as a high-frequency response which overprints the lower frequency response associated with the basement gneiss (Fig 8).

These data enable the distribution of the oolitic/pisolitic mineralisation through the area, and in particular within the tenement areas, to be assessed. All the tenements on the Cretaceous sediments except EL9796 comprise oolite/pisolite mineralisation.



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Figure 8: First Vertical Derivative Magnetic Image Showing High-frequency Response Associated with the Oolitic/Pisolitic Mineralisation.

7.5 Agbaja Plateau and 1952 Drilling

7.5.1 Introduction

Based on the official Cadastre records, EL8886 includes cover of approximately 17.8km² of the extreme northeast portion of the Agbaja Plateau (Fig 9) and EL8583 covers approximately 169.2km² of the southern plateau extension. Both cover oolitic ironstone terrane within the Cretaceous sediments of the Benue Basin.

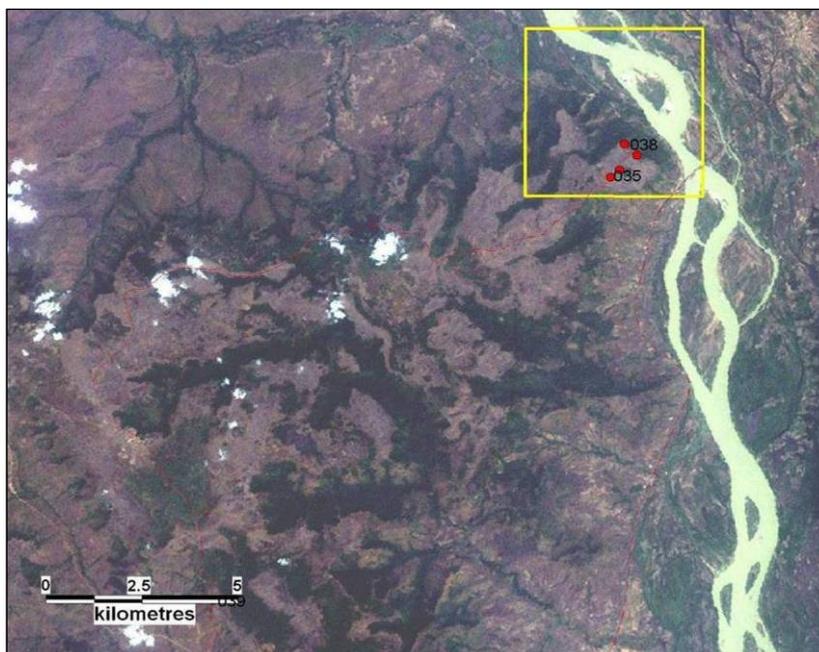


Figure 9: Agbaja EL8886 area outlined on Landsat Image.

7.5.2 1952 Drilling

Drilling of the Agbaja ironstone deposits commenced in May 1952. After completion of a pilot borehole near Agbaja, systematic drilling on a 610m square grid was started on the north-eastern end of the plateau near Jamata.

After twelve boreholes had been completed it was decided to concentrate the drilling on a spur of the plateau overlooking the Niger at Jamata where conditions seemed to be the most promising.

Seventeen holes were completed on a 305m grid in this area.

When the investigation was completed in October 1953 thirty holes had been drilled with a combined total of 607m.

In addition a shaft was sunk at borehole GSN-BH1120 to obtain channel samples of the ironstone for comparison with core and sludge samples from the borehole since general core recoveries from the drilling was less than 50% (Figs 10 & 11).

The main constituents of five samples representing the three principal types of ironstone were determined and are presented above in Table 3.



Figure 10: Recent Government Oolitic Drillcore from Agbaja Plateau – very poor recovery.



Figure 11: Agbaja- Drillhole GSN-BH1145 and View Northeast over Niger River to Koton Karfi Plateau.

7.5.3 Ground Geophysical Survey

A recently completed preliminary field assessment program within the Agbaja Plateau tenements EL8583 and EL8886 involved geological mapping of selected profile sections along the escarpment margin and a ground resistivity program across the top.

Preliminary results confirm the oolite/pisolite mineralisation is associated with a high magnetic susceptibility and is attributable to the high-frequency response in the airborne magnetic data which indicates the oolite/pisolite mineralisation extends throughout the Agbaja plateau.

This was supported by the geological profile mapping which showed the oolitic/pisolitic mineralisation to extend throughout the areas of EL8583 and EL8886. In addition the mapping highlighted the variable depth to top of the oolite/pisolite horizon and the variable thickness of the mineralised unit throughout the lease areas (Fig 12). A secondary thin sandy pisolitic horizon occurs below the main oolite/pisolite unit. This unit is thin, up to 2m thick and laterally discontinuous.

Six lines of electrical resistivity were acquired within EL8583 (4 Lines) and EL8886 (2 Lines) to test whether the conductivity contrast between the mineralised horizon and surrounding host is great enough to be resolved with an airborne EM system. Effective ground contact of electrodes could not be achieved and combined with the porous nature of the silicified hard-cap precludes use of this method as a quick and easy exploration assistance method.

An airborne EM is unlikely to be effective due to the highly resistive nature of the blanketing hard cap.

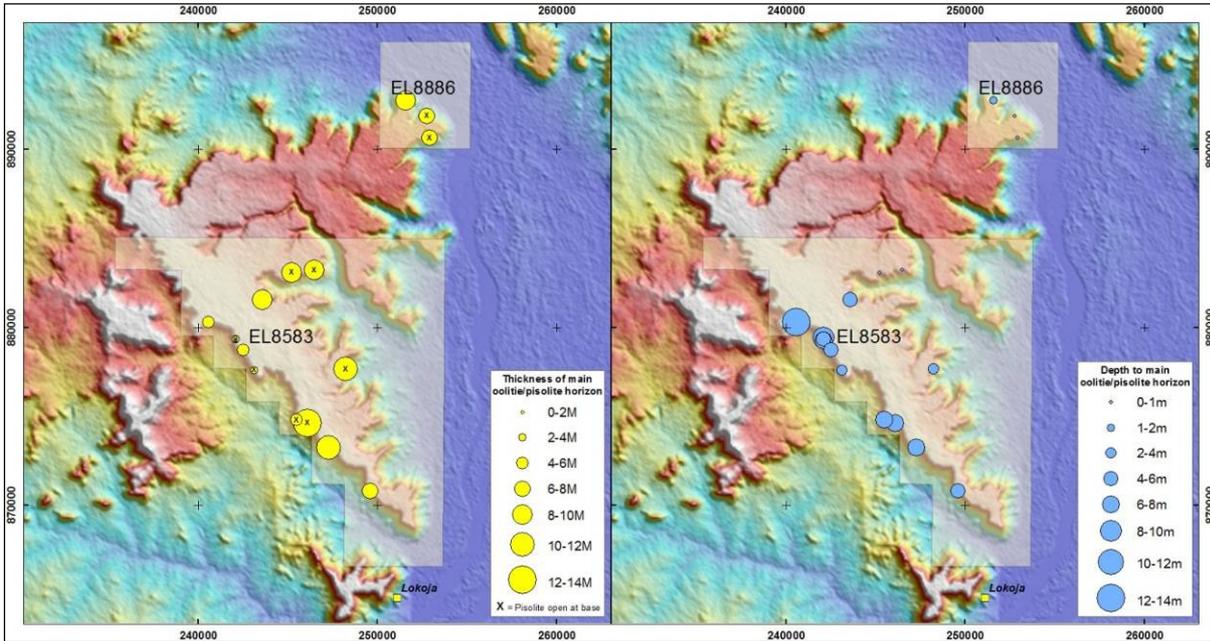


Figure 12: Summary of Field Mapping Indicate – Left- Thickness of the Main Pisolite/Oolite Horizon and Right- Depth From Surface To Top Contact of Main Pisolite/Oolite Horizon.

7.5.4 Potential Resources

At Agbaja, there is considered potential to define a JORC Compliant resource of medium grade iron mineralisation that may need beneficiation before entering the steel making process (Fig 13).

Due to the poor core recovery from the core drilling definitive mineralisation values cannot be estimated however the reliable channel sample results from the shaft are presented in Table 4 below.

The range in thickness of overburden in the drillholes is from 0m to 8.53m, with an average of 5.1m in the drilled area.

Metallurgical testing of this material is required to determine if a suitable saleable product can be beneficiated. The range in thickness of the oolitic ironstone was from 1.20 to 14, with an average of 14m in the drilled area.

Depth m	2.9-3.05	3.66-4.72	4.72-6.10	6.10-9.14	9.14-13.72	4.72-13.72
	%	%	%	%	%	%
Fe ₂ O ₃	71.46	67.77	72.37	71.65	73.18	72.53
Si O ₂	6.90	7.25	9.07	6.25	6.25	6.68
Al ₂ O ₃	8.69	14.74	8.71	10.44	8.16	9.02
MgO	0.30	0.14	0.20	0.16	0.12	0.15
CaO	0.32	0.27	0.28	0.40	0.37	0.37
LOI	8.71	7.70	6.03	8.53	9.67	8.73
TiO ₂	0.50	0.53	0.55	0.53	0.54	0.54
S	0.08	0.11	0.08	0.10	0.07	0.08
P ₂ O ₅	3.07	2.10	2.98	2.40	1.73	2.15
MnO	0.03	0.04	0.05	0.05	0.08	0.06
Total	100.26	100.65	100.32	100.51	100.17	100.31
H ₂ O 105 ⁰ C	0.83	1.09	0.65	0.59	0.41	0.51
Equiv Fe	50.02	47.44	50.66	50.16	51.23	50.78
Equiv P	1.34	0.92	1.30	1.05	0.77	0.95

Table 4: Channel Sample Analysis from Shaft at Borehole GSN-BH1120

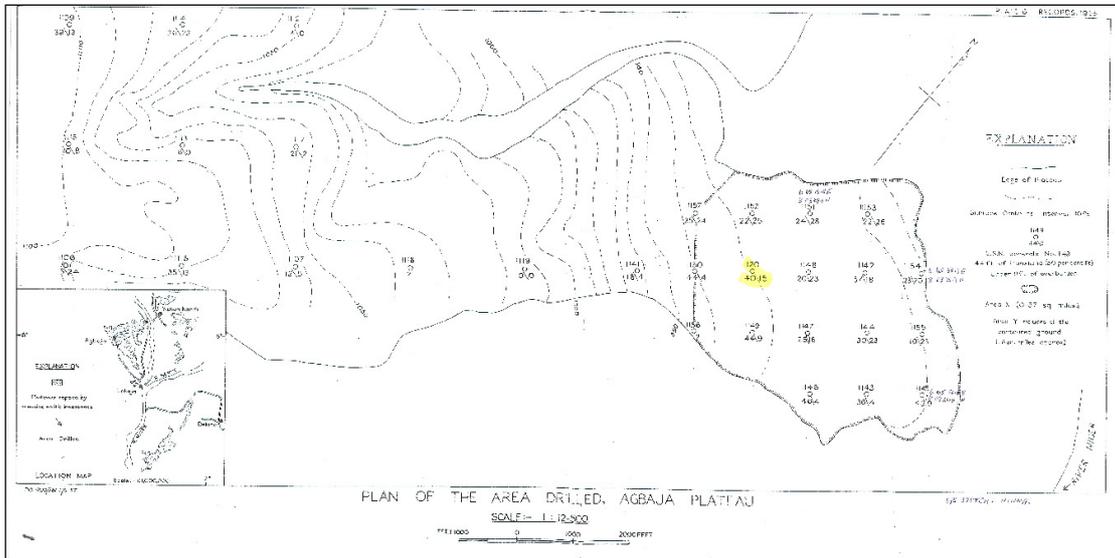


Figure 13: Agbaja Licence – Plan of Drillhole Locations and Pit at BH1120.

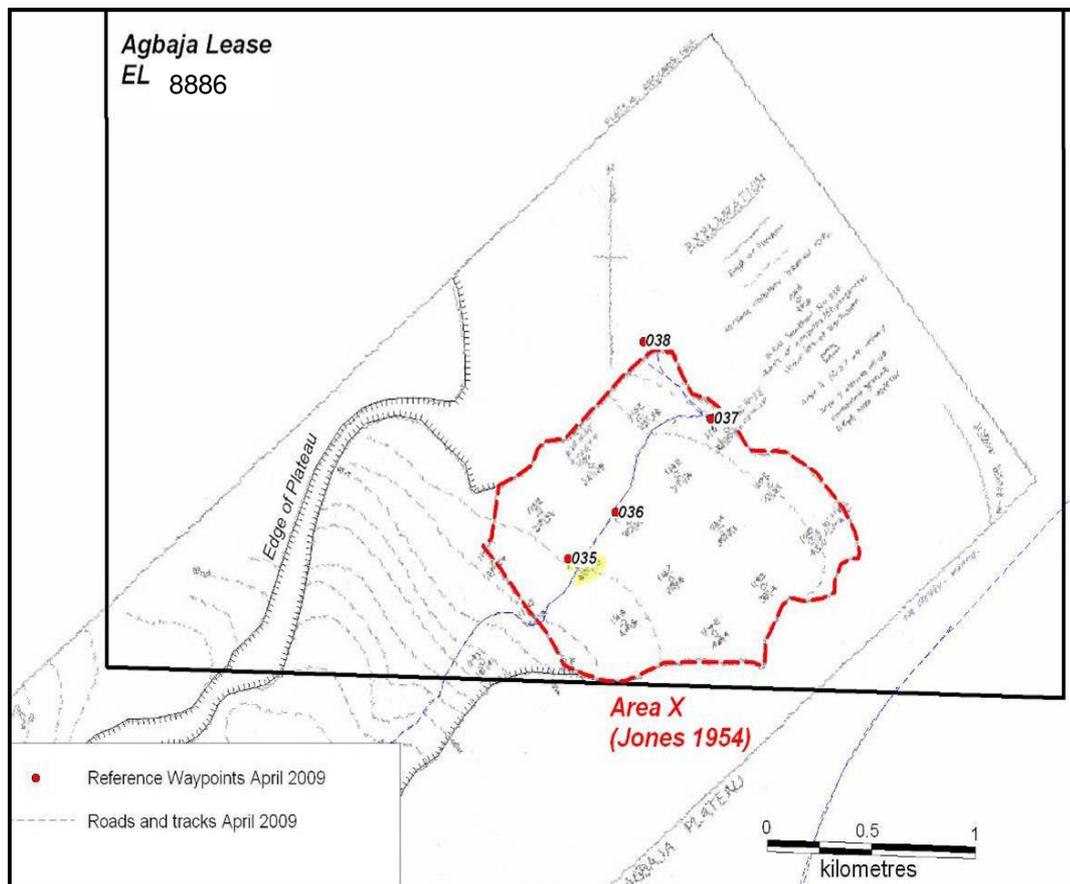


Figure 14: Agbaja Main Resource Area from 1952 drilling.

The 304m density drilling in Area X over a portion of the plateau covers an area of some 1.10-1.25km² that with the additional 608m density drilled zones to the west overlies possibly 3.5km² of an average 14m thickness of oolitic mineralisation. We consider that there is an exploration target of 45-109Mt with 48-53% Fe (Fig 14) for this area based on a minimum width of 6m to the average 14m is at 13-31Mt per km². However, the potential quantity and grade of this target is conceptual in nature and there has been insufficient exploration to define a JORC Code compliant mineral resource. In addition, it is uncertain if further exploration will result in the determination of a JORC Code compliant mineral resource.

7.6 Koton Karfi Prospects

Based on the official Cadastre records, the three licences at Koton Karfi cover 22.4km² of prospective plateau on licences EL6350, and 9797; it appears that potential at EL9796 is very limited. These prospects occur some 13 to 20km east of the main Lokoja to Abuja highway and are reached by gravel roads in good condition.

The main prospect in EL6350 is on the south side of the plateau in the central portion of the licence and appears to have a thickened sequence. Bishwa village is 23km by road east of the main highway and a traverse to the north of the village showed the top of the oolite some 6m below the cuirasse capping.

An insitu oolite was observed over an approximate 30-34m vertical interval from an elevation of 372 to 338m (Figs 15 & 16). This is an encouraging profile and early drill checking of the indicated width is warranted.



Figure 15: Cuirasse cover to top of oolite – Koton Karfi (L) and close up of top Oolite (R).



Figure 16: Pisolitic Oolite at Koton Karfi (L) and Red Ochreous Oolite Variety (R).

EL9797 occurs closer to the highway but the oolitic ironstone horizon appears to be truncated by recent weathering with the modern detritus being re-cemented by recent silicification associated with recent lateritisation. EL9796 has not been visited since it is west of indicated plateau zones.

7.7 Bassa Prospects

The Bassa prospects cover prospective plateau on licences EL9794, 9795 and 10586. Access to this group of tenements is by bitumen highway south from Lokoja to the Ajakouta bridge crossing the Niger River and then following local bitumen roads into the EL9794 area. Access to EL 9795 and EL 10586 is then by footpath across cuirasse covered surfaces dissected by shallow steep sided gullies.

At EL9794 all the cuirasse surfaces visited are highly magnetic and in the vicinity of Emiandi village there is oolitic material within the surface outcrop (Figs 17 & 18). Locally the gullies were insufficiently incised to expose the base of the oolitic horizons; however a minimum thickness of 6.0m is indicated. According to the guides full cliff exposures in this district are limited. Potential in this area is yet to be thoroughly assessed.



Figure 17: Bassa EL9794 Magnetic cuirasse outcrop (L) and magnetite sweat out bands (R).



Figure 18: Bassa EL9794 Magnetic Oolite Outcrop (L) and close up (R).

7.8 Oolitic Projects Conclusion

We consider that there is an exploration target for this area of 1590-2700Mt of oolitic ironstone mineralisation with 48-53% Fe (Table 5 & Fig 19), based on the 282.25km² of KCMN licences in the greater Lokoja area that cover a conservative 122.42km² of prospective plateau.

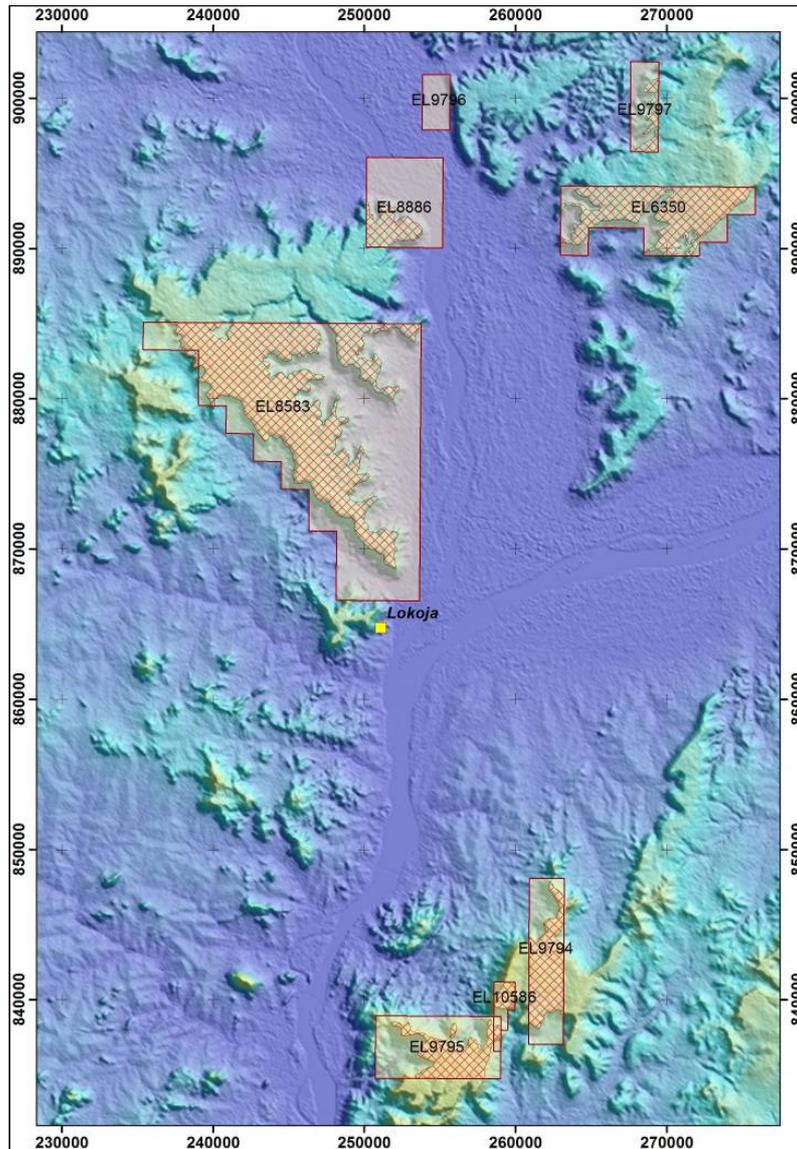
The large potential in the district is summarised in Table 5. The total exploration target is estimated based on a minimum oolite ironstone width of 6m to an average maximum of 10m that equates to 13-22Mt per km² respectively with 48-53%Fe. This conceptual target may or may not be outlined with future work, either in whole or in part.

However, the potential quantity and grade of this target is conceptual in nature and there has been insufficient exploration to define a JORC Code compliant mineral resource. In addition, it is uncertain if further exploration will result in the determination of a JORC Code compliant mineral resource.

Lease	Company	Name	Lease km2	Mesa km2	Range Mt	% Fe
EL6350	KCM Mining	Koton Karfi	22.4	22.4	291 - 493	48-53
EL8583	KCM Mining	Agbaja	169.2	92.9	1208 -2044	48-53
EL8886	KCM Mining	Agbaja	17.8	7.12	92 - 156	48-53
EL9794	KCM Mining	Bassa	7.0	0	0	0
EL9795	KCM Mining	Bassa	34.35	0	0	0
EL9796	KCM Mining	Koton Karfi	3.0	0	0	0
EL9797	KCM Mining	Koton Karfi	6.4	0	0	0
EL10586	KCM Mining	Bassa	3.4	0	0	0
EL12124	KCM Mining	Agbaja	18.7	0	0	0
TOTAL			282.25	122.42	1590-2700	48-53

**Part of EL8583 is being re granted as EL 12124*

Table 5: Oolite Licence Details and Potential.



** Part of EL8583 is being re granted as EL 12124*

Figure 19: Agbaja, Bassa and Koton Karfi Plateau Area Licence Map.

The necessary steps needed to properly assess the Lokoja oolitic ironstone style mineralisation must take into account the following:

- Early metallurgical testwork is critical to the identification of a market for oolitic ironstone style mineralisation. Where it has been tested at Agbaja and Koton Karfi mineralisation is characterised by low grades (50% Fe), high clay content (9% Al_2O_3), high LOI values (9% LOI) and high impurities ($P > 1\%$).

The nature of mineralisation has some similarities with the “Channel Iron Deposits” of the Pilbara in Western Australia where Yandicoogina in the Pilbara is best known. Similarities include flat lying geometry at surface with potential for large tonnages and simple mining, lower iron grades and high LOI assays. For ‘Yandi’ iron ores, sintering (whereby goethite in the ore is dehydrated and oxidized to hematite) results in a higher iron product in proportion to the water driven off. High clay content and impurities are additional metallurgical hurdles.

- Implement a resource evaluation program with vertical RC drill holes including a proportion of twinned diamond drilling for QA/QC geological control purposes.

8.0 BIF Iron Projects

8.1 Introduction

KCMN holds seven licences covering 144.4km² of Proterozoic terrane that hosts, in portions, several discontinuous horizons of BIF manifesting as magnetite quartzites. These tenements have been grouped into three projects; Choco Choco, the Southwestern Licences and the Southeastern Licences. Access to the margins of the leases is generally reasonable via bitumen or dirt roads but access into the interior of all licenses is along footpaths over some rugged terrane.

8.2 Geophysics

The airborne magnetic data highlights prominent zones of high-magnetic susceptibility within the basement gneiss sequence. The zones represent magnetite bearing quartz-feldspathic gneiss which are commonly associated with the target banded quartz-magnetite horizons (Fig 20). The data will provide a means for targeted follow up field mapping assessment within each of the basement lease areas.

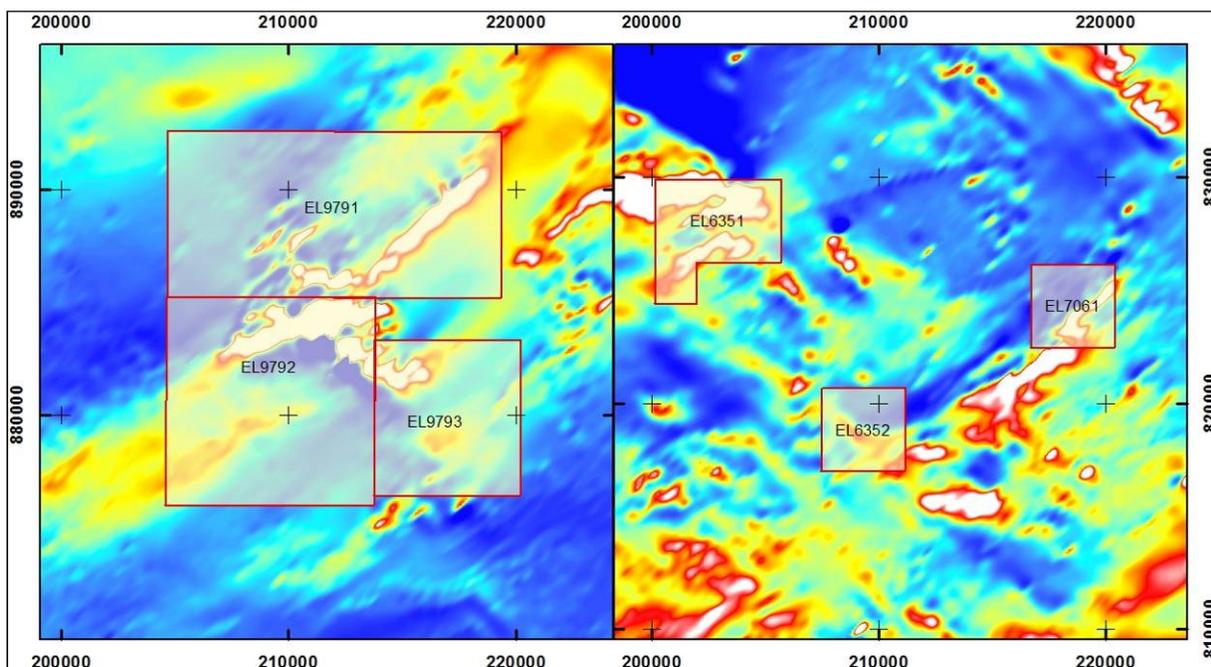


Figure 20: TMI Images Showing High Magnetic Response Associated with Magnetite Quartz-feldspathic Gneiss within some of the Portions of Basement Tenements.

8.3 Choco Choco

The Choco Choco prospects are 26km north of Okene by bitumen road and then a further 8km north along footpaths. The three licences cover 83.6km² with the main deposit centrally located to the northeast with strike NW-SE and has scree and subcrop spread over 100m in width with a strike length exceeding 350m (Fig 21). There is another minor outcrop covering 14m width a further 150m to the southeast also with a NW-SE strike. The secondary deposit is 1.3km to the southwest of the main deposit where a 10m wide zone strikes NE-SW for an indicated 100m.

Earlier reports regarding the first aeromagnetic interpretation suggest that the deposits are predominantly magnetite quartzites comprising several bands whose total thickness increases with depth that can be traced to 150m down dip.

Given that further outcrops have been mapped by the geological survey (Lokoja 1:250K Geology) this is encouraging however the entire area requires systematic close spaced grid mapping in order to understand the distribution and structural relationships of the deposits.



Figure 21: Main Choco Choco strike view NE (L) and typical material (R).

Resource potential at Choco Choco is currently difficult to quantify visually due to the generally poor outcrop.

8.4 Southwestern Licences

These two ELs EL6351 & EL6352 are readily accessible via the bitumen road south from Okene and then onwards by dirt roads and poor tracks. Several outcrops have been observed that indicate 3-4 potential magnetite quartzite horizons hosted within Proterozoic gneisses. Relief is varied with some areas being up to 40m above the surrounding peneplain. Detailed mapping of both licences is required.



Figure 22: Piles of selected BIF and outcrop in stream.

8.4.2 Ground Geophysical Survey

A number of days during the preliminary field assessment program were allocated to the geophysical assessment of the basement hosted banded quartz-magnetite mineralisation within EL6351, EL6352 and EL9792.

A series of ground magnetic profiles were acquired across known zones where quartz-magnetite bands occur. The aim was to first identify whether these bands could be discriminated from the host magnetite quartz-feldspathic gneiss and secondly to identify the number of individual quartz-magnetite bands present. The general high background magnetic levels, which could be termed 'noise', of portions of the magnetite bearing basement gneisses tended to mask the quartz magnetite signal and consequently continuity of strike is ambiguous for the narrow BIF horizons.

Additional testing is required in other locations.

8.5 Southeastern Licences

These two leases ELA7060 & 1 are readily accessible via the bitumen road south from Lokoja to Ajakouta and then onwards by dirt roads and poor tracks. Several outcrops have been observed that indicate 2-3 potential magnetite quartzite horizons hosted within Proterozoic gneisses. Relief is varied with some areas being up to 30m above the surrounding peneplain. Detailed mapping of both licences is required.



Figure 23: Banded Magnetite Quartzite strike NE (L) and close up (R).



Figure 24: Wider better mineralised outcrop (L) and northern band (R).

9.0 Mineralisation Potential

We consider that there is an exploration target for the Oolitic Plateau of some 1.6 – 2.7Bt grading 48-53%Fe. However, the potential quantity and grade of this target is conceptual in nature and there has been insufficient exploration to define a JORC Code compliant mineral resource. In addition, it is uncertain if further exploration will result in the determination of a JORC Code compliant mineral resource.

For the BIF projects current grade estimates are unfortunately only based on sporadic grab samples and there is insufficient information to form a precise opinion for any of the areas. Detailed exploration including mapping, possibly additional ground geophysical surveys, judicious channel sampling from trenches and drilling are all required in all localities.

10.0 Exploration Proposal and Budget

Additional geological maps of all projects in all locations need to be compiled, accompanied by interpretations from imagery and from the aeromagnetic survey. For planning purposes it is proposed that the next stage of exploration should entail oriented reconnaissance diamond drilling with twinned RC drilling. This program would take about six to eight months to complete from arrival of drill rigs on site to receipt and review of final assays and also depending on the number of licences available for investigation.

At each BIF deposit two profiles are required to test the potential over the indicated strike-length and to investigate minimal depth potential. Indicative prices received to date are US\$150pm for HQ core drilling and US\$60pm for RC drilling.

An alternative is to purchase two man-portable rigs that also have open-hole capacity and this would decrease the metre cost rate.

At Agbaja initial work will focus on obtaining a representative bulk sample for metallurgical testing. Drilling of RC holes to produce a JORC compliant Reserve Estimate will also be undertaken.

Assays, excluding preparation and transport, will cost US\$35 per sample so the primary budget would require some US\$370,000 excluding rig mobilisation for the man portable rigs. If another similar area needs to be investigated then the drilling budget should be doubled.

Other requirements would be a suitable camp and sample preparation facility near site; one expatriate and two local geologists, support staff and a contract D7 bulldozer to clear certain drill lines in flat areas.

A logistic support base in Lokoja is required and initially operations could be conducted from the office with local hotel accommodation.

For transport one SUV style vehicle for moving personnel and two tray back twin cab for materials will be sufficient supplemented by several motorbikes that only cost US\$700 each.

In the absence of full quotes the current estimate is that Year 1 expenditure will be US\$6.95M

Any additional infill drilling should only be planned upon successful completion of the Phase 1 investigation.

Function	Phase 1 \$000s
Mapping and Trenching	370
Imagery acquisition	30
Interpretation	150
Diamond Drilling	2,000
RC Drilling	3,000
Administration	500
Total Exploration Expenditure	6,050
Capex	350
Contingency	550
TOTAL	6950

Table 6: Proposed Exploration Budget.

For the purposes of this report, we have assumed an exchange rate of A\$1:US\$1.

11.0 Conclusions

- We consider that there is an exploration target of some 1.6 – 2.7Bt at a grade range of 48-53% Fe within the Lokoja Group of prospects. However, the potential quantity and grade of these targets is conceptual in nature and there has been insufficient exploration to define a JORC Code compliant mineral resource. In addition, it is uncertain if further exploration will result in the determination of a JORC Code compliant mineral resource. Metallurgical testing of this material is required to determine if a suitable saleable product can be beneficiated.
- There are indications of potential BIF or magnetite quartzite mineralisation over reasonable strike lengths at several of the leases covering Proterozoic terranes. No mineralisation estimates have been made for any of these project areas.
- The existing aeromagnetic interpretation images lack sufficient detail to indicate further BIF deposits and the geological survey map also lacks fine detail. Detailed mapping at prospects accompanied by selected detailed ground magnetic surveys will help refine targets for drill testing.
- The full true potential of the district cannot be estimated until drilling of the project areas has occurred but there is undoubtedly potential for significant tonnages.

- A Phase 1 exploration program will be possible for US\$6.95M and would confirm the presence and upside of any potential iron deposits.
- Ongoing Phase 2 exploration programs and budgets would subsequently be extensions of work in successful areas from Phase 1 with a budget to be determined following an examination of the results from Phase 1.
- Access to the existing Itakpe beneficiation plant will simplify early production and help underpin the success of the project.

It should be noted that the exploration budget Phase 2 will be dependent on the results obtained from the Phase 1 exploration and evaluation programs that may lead to increased or decreased levels of expenditure on certain applications and projects during the Phase 2 program.

Yours faithfully,



Allen J. Maynard

BAppSc(Geol), MAIG, MAusIMM.

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13.0 Glossary of Technical Terms and Abbreviations

Aeromagnetic Survey	A survey made from the air for the purpose of recording magnetic characteristics of rocks.
Alluvial	Transported and deposited by water.
Alluvium	Gravel and other sediment found along rivers and creeks.
Alteration Zone	Zone within which rock - forming minerals have been chemically changed.
Amphibolite	A crystalloblastic rock consisting mainly of amphibole and plagioclase. Quartz is usually absent. Considered a medium to high-grade metamorphic rock.
Andalusite	A green metamorphic mineral belonging to the aluminium silicate group.
Anomaly	Value higher or lower than the expected or norm.
Anomalous	Outlining a zone of potential exploration interest but not necessarily of commercial significance.
Anticline	Upward arching fold or rock strata (antonym = syncline).
Archaean	The oldest rocks of the Precambrian Era, prior to 2500 million years.
Axial plane	A plane which joins the hinge lines of successive beds in a fold.
Axis	Hinge-line of a fold.
Banded Iron Formation	A chemical sedimentary rock composed of silica and iron oxide rich layers. Abbreviation = (BIF)
Basalt	A fine-grained volcanic rock composed primarily of plagioclase Feldspar and mafic minerals
Batholith	A very large, usually granitic intrusion.
Bedding	A rock surface parallel to the surface of deposition.
Beudantite	A secondary mineral occurring in the oxidized zones of polymetallic deposits. $PbFe_3 (AsO_4)(SO_4)(OH)_6$.
Chamosite	Chamosite is the Fe ²⁺ -end member of the chlorite group. A hydrous aluminium silicate of iron,
Cleavage	The tendency of a rock and minerals to split along closely spaced, Parallel planes.
Country rock	A general term applied to rock surrounding or penetrated by mineral veins.
Dip	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
Dolerite	A medium grained intrusive rock mainly composed of feldspar and pyroxene.
Domain	The areal extent of given lithology or environment.
Dyke	A tabular intrusive body of igneous rock that cuts across bedding at a high angle.
Epsomite	An hydrous magnesium sulphate mineral with formula $MgSO_4$.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Felsic	Descriptive of an igneous rock which is predominantly of light-coloured minerals (antonym: of mafic).
Fold	A bend in the rock strata or planar structure.
Foliation	The laminated structure resulting from the parallel arrangement of different minerals.
Footwall	Rocks underlying mineralisation.
Gabbro	A coarse-grained rock consisting of plagioclase and mafic minerals.
Geophysics	Study of the earth by quantitative physical methods.

Gneiss	A metamorphic rock with compositional banding of light and dark minerals often of granitic composition.
Granitoid	A general field term for coarse-grained rocks containing quartz and feldspars.
Greenstone belt	Elongate belts in Precambrian terrain characterised by major zones of altered or metamorphosed basic igneous rocks.
Hangingwall	Rocks overlying mineralisation.
Igneous	Formed by solidification from a molten or partly molten state.
Inferred Resource	A resource inferred from geoscientific evidence, drillholes, underground openings or other sampling procedures where lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.
Indicated Resource	A resource sampled by drillholes, underground openings, or other sampling procedures at locations too widely spaced to ensure continuity and where geoscientific data are known with a reasonable level of reliability.
Isocline	An anticline or syncline so closely folded that the two sides have the same dip.
JORC	Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves
Lacustrine	Pertaining to lake waters.
Lamination	The finest bedding, often found in shales and fine grained sandstones.
Laterite	A red, residual soil, cemented in place, containing iron and aluminium oxides but leached of quartz
Lineament	A naturally occurring major linear feature in the earth's crust, often associated with mineral deposits.
Lode	A deposit of potentially valuable material or minerals between definite boundaries.
Mafic	A loosely used group name for silicate minerals that are rich in iron and magnesium, and for rocks in which these minerals are abundant.
Measured Resource	A resource intersected by drillholes, underground openings or other sampling procedures at locations which are spaced closely enough to confirm continuity and where geoscientific data are reliably known.
Metamorphism	The mineralogical, structural and chemical changes induced within solid rocks through the actions of heat, pressure or the introduction of new chemicals. Rocks so altered are prefixed "meta" as in "metabasalt".
Mineral Resource	A tonnage or volume of rock or mineralisation of economic interest.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.
Opencut	Descriptive of a mine worked open from the surface.
Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Orebody	A continuous, well-defined mass of ore.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Pitch	The angle between the axis of the ore-shoot and the strike of the vein.
Plunge	Angle of the axis of folding with a horizontal plane.
Porphyry	A rock with conspicuous crystals in a fine-grained ground mass.
Primary mineralisation	Mineralisation which has not been affected by near-surface oxidising process.

Proved Reserve	An ore reserve stated in terms of mineable tonnes and grade in which the corresponding identified Mineral Resource has been defined in three directions by excavation or drilling (including minor extensions beyond actual openings and drill holes), and where the geological factors that limit the orebody are known with sufficient confidence that the Mineral Resource is categorised as Measured.
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Reserve	In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Reverse Fault	A fracture in rocks in which the strata above the fracture have been displaced up the fracture plane relative to the strata below the fracture.
Saprolite	Weathered rock in which the original rock textures are still recognisable.
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Silicified	Containing a high proportion of silicon dioxide.
Soil sampling	Systematic collection of soil samples at a series of different locations in order to study the distribution of soil geochemical values.
Splay fault	A secondary shear or fault divergent from the principal structure.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface
Strike-slip fault	Faults parallel to the strike of the rock strata.
Stringer	A narrow vein or irregular filament of mineral traversing a rock mass.
Subcrop	The surface expression of a mostly concealed rock layer.
Syncline	A fold where the rock strata dip inwards towards the axis (antonym: anticline).
Thuringite	A ferroan variety of Chamosite, first reported from Reichmannsdorf, Thuringian Forest, Thuringia, Germany. Chlorite Group.
Ultrabasic rocks	Igneous rocks with very high magnesium and iron content containing less than 45% silicon dioxide.
Ultramafic	Synonymous with ultrabasic.
Unconformity	Lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation.
Vein	A narrow intrusive mineral body.
Weathering	A process of chemical change to rocks brought about by their exposure to oxygen and water.

ABBREVIATIONS

B	billion
cm	centimetre
g	gram
ha	hectare
kg	kilogram
km	kilometre
km²	square kilometre
m	metre
M	million
m²	square metre
m³	cubic metre
mm	millimetre
oz	troy ounce, equivalent to 31.103477g.
t	tonne

UNITS OF CONCENTRATION

ppb	parts per billion
ppm	parts per million



ENERGIO LIMITED
Investigating Accountants Report

14 December 2011

14 December 2011

The Directors
Energio Limited
21 Teddington Road
BURSWOOD WA 6100

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

We have prepared this Investigating Accountant's Report ("**Report**") on historical financial information of Energio Limited ("**Energio**" or "**the Company**") for inclusion in the Prospectus. Broadly, the Prospectus will offer 11,250,000 shares at an issue price of \$0.20 each to raise \$2.25 million before costs ("**the Offer**"). This is the minimum subscription. Oversubscriptions of up to a further 11,250,000 shares at an issue price of \$0.20 each to raise up to a further \$2.25 million may be accepted.

2. Basis of Preparation

This Report has been prepared to provide investors with information on the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Financial Position and the pro-forma Statement of Financial Position as noted in Appendices 1, 2 and 3.

This Report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, nor the risks associated with the investment, and has been prepared based on the complete Offer being achieved. Neither BDO Corporate Finance (WA) Pty Ltd nor its related entities ("**BDO**") has been requested to consider the prospects for the Company, the shares on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly has not done so, and does not purport to do so. BDO accordingly takes no responsibility for these matters or for any matter or omission in the Prospectus, other than responsibility for this Report. Risk factors are set out in the Prospectus.

Expressions defined in the Prospectus have the same meaning in this Report.

3. Background

The Company is currently listed on the Australia Securities Exchange (“ASX”) as a Toy and Gaming development company. It has been listed on the ASX since January 1987 and was previously known as Brainytoys Limited until March 2010 when its name was changed to Energio Limited. Its principal activities, prior to its name change, were the development of a distribution and marketing network for the Company’s toy and gaming products.

On 8 November 2010 the Directors of Energio announced to the market that it had entered into a conditional Put and Call Option Deed (“Option Deed”) with TGP Australia Ltd (“TGP”), to acquire 100% of the share capital of KCMH Mining Holdings Pty Ltd (“KCMH Australia”) from TGP. Through a 75% holding in KCM Mining Ltd (“KCM Nigeria”), KCMH Australia owns a package of recently granted exploration licences covering iron ore deposits in Kogi State, Nigeria. The licences contain magnetite in Banded Iron Formation (“BIF”) and iron rich oolitic deposits. The Company has also entered into a Share Sale Agreement with Bedford CP Nominees Pty Ltd (“Bedford”). Under the Share Sale Agreement, the Company has the right to purchase the remaining 25% holding in KCM Nigeria.

At the completion of both transactions above, Energio will have 100% control of both KCMH Australia and KCM Nigeria.

Energio requested approval for a change in the nature and scale of activities of Energio under ASX Listing Rule 11.1. This was as a result of the Option Deed entered into above which will change the nature and scale of the Company’s activities to an iron ore explorer. The Company may also look to make future investments in other mineral commodities other than iron ore.

4. Scope

You have requested BDO to prepare an Investigating Accountant’s Report covering the following financial information:

- the historical Statement of Financial Position as at 30 June 2011, and the Statement of Comprehensive Income and Statement of Changes in Equity for the period ended on that date, for Energio;
- the historical Statement of Financial Position as at 30 June 2011, and the Statement of Comprehensive Income and Statement of Changes in Equity for the period ended on that date, for the KCMH Australia;
- the historical Statement of Financial Position as at 30 June 2011, and the Statement of Comprehensive Income and Statement of Changes in Equity for the period ended on that date, for the KCM Nigeria;
- the pro-forma Statement of Financial Position as at 30 June 2011 reflecting the actual position as at that date, major transactions between that date and the date of our report and the proposed capital raising under the Prospectus; and
- the accounting policies applied by Energio in preparing its financial statements.

The historical financial information set out in the appendices to this Report has been extracted from the financial statements of the Company, KCMH Australia and KCM Nigeria for the year ended 30 June 2011. As the Company has significantly changed its operations we consider that the provision of historical financial information for the years ended 30 June 2009 and 30 June 2010 is not appropriate. Further, we have not included historical pro-forma financial information for the years ended 30 June 2009 and 30 June 2010 as KCMH Australia and KCM Nigeria had limited operations prior to the year ended 30 June 2011.

The Directors are responsible for the preparation of the historical financial information including determination of the adjustments.

We have conducted our review of the historical financial information in accordance with the Australian Auditing and Assurance Standard ASRE 2405 “Review of Historical Financial Information Other than a Financial Report”. We made such inquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a review of work papers, accounting records and other documents pertaining to balances in existence at 30 June 2011;
- a review of the assumptions used to compile the pro-forma Statement of Financial Position;
- a review of the adjustments made to the pro-forma historical financial information;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the appendices to this Report; and
- enquiry of Directors and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our review was limited primarily to an examination of the historical financial information, the pro-forma financial information, analytical review procedures and discussions with both management and directors. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical information or pro-forma financial information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

- support by another person, corporation or an unrelated entity has not been assumed;
- the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- the going concern basis of accounting has been adopted.

5. Conclusion

Statement on Historical Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the historical financial information as set out in the Appendices to this report does not present fairly the financial position as at 30 June 2011 in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Statement on Pro-forma Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the pro-forma financial information does not present fairly pro-forma consolidated financial performance for the year ended 30 June 2011 or the pro-forma consolidated financial position of the Company as at 30 June 2011, in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions had occurred on that date.

6. Subsequent Events

The pro-forma Statement of Financial Position reflects the following events that have occurred subsequent to 30 June 2011:

- The exercise of 500,000 Class A Options at an exercise price \$0.01; and
- The conversion of a loan amount of \$4,483,997, payable to TGP, into equity of KCMH Australia.

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no other material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro-forma Statement of Financial Position post issue is shown in Appendix 2. This has been prepared based on the reviewed financial statements as at 30 June 2011 and the transactions and events relating to the issue of shares under this Prospectus:

- The Company has consolidated the number of Shares and Options on issue on a 1:10 basis;
- The issue of 11,250,000 Ordinary Shares at an issue price of \$0.20 each pursuant to the Prospectus to raise \$2,250,000 before costs;
- Costs of the offer are estimated to be \$313,897, which are offset against contributed equity;
- The issue of 86,890,625 shares at a deemed issue price of \$0.20 as consideration for the acquisition of 100% of the share capital of KCMH Australia from TGP;
- The issue of 15,958,063 shares at a deemed issue price of \$0.20 as consideration for the acquisition of the remaining 25% of the share capital of KCM Nigeria from Bedford;
- The issue of 6,250,000 Options to a Consultant in consideration for past services provided to the Company. These Options have an exercise price of \$0.20 and an expiry date of 30 November 2013; and
- The issue of 2,250,000 Shares to a Consultant in relation to future services.

8. Disclosures

BDO Corporate Finance (WA) Pty Ltd is the corporate advisory arm of BDO in Perth.

Neither BDO Corporate Finance (WA) Pty Ltd nor BDO, nor any director or executive or employee thereof, has any financial interest in the outcome of the proposed transaction except for the normal professional fee due for the preparation of this Report.

Consent to the inclusion of the Investigating Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Sherif Andrawes', written over a light grey rectangular background.

Sherif Andrawes

Director

APPENDIX 1
ENERGIO LIMITED
STATEMENT OF COMPREHENSIVE INCOME

	Energio Audited for the for the year ended 30-Jun-11 \$	Consolidated Pro-forma for the year ended 30-Jun-11 \$
Income:		
Other income	44,870	75,735
Total income	44,870	75,735
Expenses:		
Accounting and auditing fees	(222,524)	(230,324)
Operating and materials costs	-	(1,181,176)
Consulting fees	(136,235)	(692,354)
Travel and accommodation	(8,045)	(39,068)
Impairment expense	(5,967,908)	(9,191,250)
Corporate expenses	(86,569)	(86,569)
Director fees	(1,775,055)	(1,775,055)
Legal fees	(209,063)	(256,711)
Other expenses	(8,040)	(171,621)
Total expenses	(8,413,439)	(13,624,128)
Consolidation adjustments upon acquisition of KCMH Australia and KCM Nigeria	-	10,085,233
Total comprehensive income/(loss) for the year	(8,368,569)	(3,463,160)

This Statement of Comprehensive Income shows the historical financial performance of Energio and the pro-forma shows the consolidated financial performance of Energio, KCMH Australia and KCM Nigeria as if it had been a consolidated group from 1 July 2010. Past performance is not a guide to future performance.

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

APPENDIX 2
ENERGIO LIMITED
STATEMENT OF FINANCIAL POSITION

		Energio Audited 30-Jun-11 Notes	KCMH Aust Reviewed 30-Jun-11 \$	KCM Nigeria Reviewed 30-Jun-11 \$	Subsequent Events \$	Pro-forma Adjustments \$	Pro-forma After issue \$
CURRENT ASSETS							
Cash and cash equivalents	2	4,728,195	3,043,092	-	5,000	1,936,103	9,712,390
Trade and other receivables	3	63,504	5,191,298	-	-	(5,191,298)	63,504
TOTAL CURRENT ASSETS		4,791,699	8,234,390	-	5,000	(3,255,195)	9,775,894
NON-CURRENT ASSETS							
Exploration expenditure	4	-	-	-	-	30,718,881	30,718,881
Investments	5	-	88,102	-	-	(88,102)	-
TOTAL NON-CURRENT ASSETS		-	88,102	-	-	30,630,779	30,718,881
TOTAL ASSETS		4,791,699	8,322,492	-	5,000	27,375,584	40,494,775
CURRENT LIABILITIES							
Trade and other payables	6	180,261	(8,647)	144,000	-	-	315,614
Financial liabilities	7	-	4,483,997	5,191,298	(4,483,997)	(5,191,298)	-
TOTAL CURRENT LIABILITIES		180,261	4,475,350	5,335,298	(4,483,997)	(5,191,298)	315,614
NON-CURRENT LIABILITIES							
Financial liabilities	8	-	5,967,909	-	-	(5,967,909)	-
Deferred tax liability	9	-	-	-	-	7,088,973	7,088,973
TOTAL NON-CURRENT LIABILITIES		-	5,967,909	-	-	1,121,064	7,088,973
TOTAL LIABILITIES		180,261	10,443,259	5,335,298	(4,483,997)	(4,070,234)	7,404,587
NET ASSETS / (LIABILITIES)		4,611,438	(2,120,767)	(5,335,298)	4,488,997	31,445,818	33,090,188
EQUITY							
Contributed equity	10	29,386,502	1	181,831	4,488,997	18,290,012	52,347,343
Reserves	11	2,685,922	1,108,146	-	-	(495,646)	3,298,422
Accumulated losses	12	(27,460,986)	(3,228,914)	(5,517,129)	-	13,651,452	(22,555,577)
TOTAL EQUITY		4,611,438	(2,120,767)	(5,335,298)	4,488,997	31,445,818	33,090,188

The pro-forma Statement of Financial Position after Issue is as per the Statement of Financial Position before Issue adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

APPENDIX 3
ENERGIO LIMITED
STATEMENT OF CHANGES IN EQUITY

		Energio Audited 30-Jun-11	KCMH Australia Reviewed 30-Jun-11	KCM Nigeria Reviewed 30-Jun-11	Subsequent Events	Pro-forma Adjustments	Pro-forma After issue
	Notes	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2010		(19,092,417)	-	(3,566,219)	-	3,566,219	(19,092,417)
<i>Comprehensive income for the period</i>							
Profit/(Loss) for the period	12	(8,368,569)	(3,228,914)	(1,950,910)	-	10,085,233	(3,463,160)
Total comprehensive income for the period		(8,368,569)	(3,228,914)	(1,950,910)	-	10,085,233	(3,463,160)
<i>Transactions with equity holders in their capacity as equity holders</i>							
Contributed equity, net of transaction costs	10	29,386,502	1	181,831	4,488,997	18,290,012	52,347,343
Reserves	11	2,685,922	1,108,146	-	-	(495,646)	3,298,422
Total transactions with equity holders		32,072,424	1,108,147	181,831	4,488,997	17,794,366	55,645,765
Balance		4,611,438	(2,120,767)	(5,335,298)	4,488,997	31,445,818	33,090,188

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

APPENDIX 4
ENERGIO LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

(a) Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards (“AIFRS”), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal group’s held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

(b) Going Concern

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the success of the fundraising under the Prospectus. The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

(c) Reporting Basis and Conventions

The report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

APPENDIX 4
ENERGIO LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

(d) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Energio at the end of the reporting period. A controlled entity is any entity over which Energio has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

APPENDIX 4
ENERGIO LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(e) Income Tax

The income tax expense or benefit (revenue) for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

APPENDIX 4
ENERGIO LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with financial institutions, other short-term highly liquid deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(g) Trade and other receivables

Trade receivables are recognised as the amount receivable and are due for settlement no more than 90 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the receivable directly unless a provision for impairment has previously been recognised.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Loans granted are recognised at the amount of consideration given or the cost of services provided to be reimbursed.

(h) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of GST.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

(i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(j) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days of recognition.

APPENDIX 4
ENERGIO LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

(k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure, including costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore the area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- I. The expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- II. Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

APPENDIX 4
ENERGIO LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, and accumulated costs in respect of that area are written off in the financial period the decision is made.

(n) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial Assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

APPENDIX 4
ENERGIO LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

(o) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(p) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(q) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the statement of financial position date are recognised in respect of employees' services rendered up to statement of financial position date and measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefit Provisions.

Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the statement of financial position date using the projected unit credit method. Consideration is given to expect future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the statement of financial position date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

APPENDIX 4
ENERGIO LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

Share-based payments transactions

The Company provides benefits to employees (including directors) of the Company in the form of share options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured using Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight line basis over the period from grant date to the date on which the relevant employees become fully entitled to the award (“vesting date”). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(r) Accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Valuation of share based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted.

Options

The fair value of options issued is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Determination of fair values on exploration and evaluation assets acquired in business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the statement of financial position at their fair values. In measuring fair value of exploration projects, management considers generally accepted technical valuation methodologies and comparable transactions in determining the fair value. Due to the subjective nature of valuation with respect to exploration projects with limited exploration results, management have determined the price paid to be indicative of its fair value.

	Energio Audited 30-Jun-11 \$	Pro-forma After issue \$
NOTE 2: CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	4,728,195	9,712,390
<i>Adjustments to arrive at the pro-forma balance:</i>		
Audited balance of Energio at 30 June 2011		4,728,195
<i>Subsequent events:</i>		
Exercise of 500,000 Class A Options		5,000
		<u>5,000</u>
<i>Pro-forma adjustments:</i>		
Reviewed balance of KCMH Australia		3,043,092
Proceeds from shares issued under this Prospectus		2,250,000
Capital raising costs		(313,897)
		<u>4,979,195</u>
Pro-forma Balance		<u>9,712,390</u>

	Energio Audited 30-Jun-11 \$	Pro-forma After issue \$
NOTE 3: TRADE AND OTHER RECEIVABLES		
Trade and other receivables	63,504	63,504
<i>Adjustments to arrive at the pro-forma balance:</i>		
Audited balance of Energio at 30 June 2011		63,504
<i>Pro-forma adjustments:</i>		
Reviewed balance of KCMH Australia		5,191,298
Elimination of intercompany receivable		(5,191,298)
		<u>-</u>
Pro-forma Balance		<u>63,504</u>

	Energio	
	Audited 30-Jun-11	Pro-forma After issue
NOTE 4: EXPLORATION EXPENDITURE	\$	\$
Exploration expenditure	-	30,718,881
<i>Adjustments to arrive at the pro-forma balance:</i>		
Audited balance of Energio at 30 June 2011		-
<i>Pro-forma adjustments:</i>		
Fair value increase from acquisitions (refer Note 13)		23,629,909
Deferred tax uplift recognised on acquisitions (refer Notes 9 & 13)		7,088,973
		30,718,881
Pro-forma Balance		30,718,881

	Energio	
	Audited 30-Jun-11	Pro-forma After issue
NOTE 5: INVESTMENTS	\$	\$
Investments	-	-
<i>Adjustments to arrive at the pro-forma balance:</i>		
Audited balance of Energio at 30 June 2011		-
<i>Pro-forma adjustments:</i>		
Reviewed balance of KCMH Australia		88,102
Elimination of intercompany investment		(88,102)
		-
Pro-forma Balance		-

	Energio	
	Audited	Pro-forma
	30-Jun-11	After issue
NOTE 6: TRADE AND OTHER PAYABLES	\$	\$
Trade and other payables	180,261	315,614
<i>Adjustments to arrive at the pro-forma balance:</i>		
Audited balance of Energio at 30 June 2011		180,261
<i>Pro-forma adjustments:</i>		
Reviewed balance of KCMH Australia		(8,647)
Reviewed balance of KCM Nigeria		144,000
		135,353
Pro-forma Balance		315,614

	Energio	
	Audited	Pro-forma
	30-Jun-11	After issue
NOTE 7: CURRENT FINANCIAL LIABILITIES	\$	\$
Current financial liabilities	-	-
<i>Adjustments to arrive at the pro-forma balance:</i>		
Audited balance of Energio at 30 June 2011		-
<i>Subsequent events:</i>		
Conversion of KCMH Australia loan payable to TGP to equity in KCMH Australia		(4,483,997)
<i>Pro-forma adjustments:</i>		
Reviewed balance of KCMH Australia		4,483,997
Reviewed balance of KCM Nigeria		5,191,298
Elimination of intercompany current financial liabilities		(5,191,298)
		4,483,997
Pro-forma Balance		-

	Energio	
	Audited	Pro-forma
	30-Jun-11	After issue
NOTE 8: NON CURRENT FINANCIAL LIABILITIES	\$	\$
Non current financial liabilities	-	-
<i>Adjustments to arrive at the pro-forma balance:</i>		
Audited balance of Energio at 30 June 2011		-
<i>Pro-forma adjustments:</i>		
Reviewed balance of KCMH Australia		5,967,909
Elimination of intercompany non-current financial liabilities*		(5,967,909)
		-
Pro-forma Balance		-

* This amount of \$5,967,909 was repayable to Energio. Energio had deemed this amount not recoverable and had written it off as at 30 June 2011. Therefore this amount payable by KCMH Australia has been eliminated against retained earnings.

	Energio	
	Audited	Pro-forma
	30-Jun-11	After issue
NOTE 9: DEFERRED TAX LIABILITY	\$	\$
Deferred tax liability	-	7,088,973
<i>Adjustments to arrive at the pro-forma balance:</i>		
Audited balance of Energio at 30 June 2011		-
<i>Pro-forma adjustments:</i>		
Deferred tax recognised on fair value of exploration expenditure (refer Note 13)		7,088,973
		7,088,973
Pro-forma Balance		7,088,973

NOTE 10: CONTRIBUTED EQUITY	Energio	
	Audited	Pro-forma
	30-Jun-11	After issue
	\$	\$
Contributed Equity	29,386,502	52,347,343
<i>Adjustments to arrive at the pro-forma balance:</i>	<i>Number of shares</i>	<i>\$</i>
Audited balance of Energio at 30 June 2011	1,238,270,485	29,386,502
<i>Subsequent events:</i>		
Exercise of 500,000 Class A Options	500,000	5,000
Consolidation of share capital on 1:10 basis	(1,114,893,436)	-
	123,877,049	29,391,502
Conversion of KCMH Australia loan payable to TGP to equity in KCMH Australia	-	4,483,997
<i>Pro-forma adjustments:</i>		
Reviewed balance of KCMH Australia	-	1
Reviewed balance of KCM Nigeria	-	181,831
Elimination of KCMH Australia and KCM Nigeria on consolidation	-	(4,665,829)
Proceeds from shares issued under this Prospectus	11,250,000	2,250,000
Capital raising costs	-	(313,897)
Shares issued to TGP through acquisition of KCMH Australia	86,890,625	17,378,125
Shares issued to Bedford through acquisition of 25% of KCM Nigeria	15,958,063	3,191,613
Issue of 2,250,000 Shares to Consultant	2,250,000	450,000
	116,348,688	18,290,012
Pro-forma Balance	240,225,737	52,347,343

Options on issue at completion of Offer	Number
Options expiring 31/3/2013 at \$1.00	14,972,599
Unlisted Options expiring 31/12/2011 at \$1.625	1,100,000
Unlisted Options expiring 14/9/2012 at \$1.00	15,000
Unlisted Options expiring 31/12/2012 at \$1.25	200,000
Unlisted Options expiring 31/11/2013 at \$0.01	88,700,000
Total	104,987,599
Consolidation of share capital on 1:10 basis	10,498,760
Options issued to Consultant (1)	6,250,000
Total options on issue at completion of Offer	16,748,760

(1) These Options have an exercise price of \$0.20 and are exercisable on or before 30 November 2013

	Energio Audited 30-Jun-11 \$	Pro-forma After issue \$
NOTE 11: RESERVES		
Reserves	2,685,922	3,298,422
<i>Adjustments to arrive at the pro-forma balance:</i>		
Audited balance of Energio at 30 June 2011		2,685,922
<i>Pro-forma adjustments:</i>		
Reviewed balance of KCMH Australia		1,108,146
Elimination of KCMH Australia on consolidation		(1,108,146)
Issue of 6,250,000 Options to Consultant		612,500
		<u>612,500</u>
Pro-forma Balance		<u>3,298,422</u>

The 6,250,000 options to be issued to a Consultant, subject to shareholder approval, are exercisable at \$0.20 on or before 30 November 2013. Using the Black Scholes option valuation methodology, the fair value of these Options has been calculated. The following inputs were used for the options to be issued:

Input		
Number of Options		6,250,000
Share price	\$	0.20
Exercise price	\$	0.20
Expected volatility		90%
Expiry dates		30-Nov-13
Expected dividends		Nil
Risk free interest rates		3.17%
Value of each Option		0.098

	Energio Audited 30-Jun-11 \$	Pro-forma After issue \$
NOTE 12: ACCUMULATED LOSSES		
Accumulated losses	(27,460,986)	(22,555,577)
<i>Adjustments to arrive at the pro-forma balance:</i>		
Audited balance of Energio at 30 June 2011		(27,460,986)
<i>Pro-forma adjustments:</i>		
Reviewed balance of KCMH Australia		(3,228,914)
Reviewed balance of KCM Nigeria		(5,517,129)
Elimination of KCMH Australia and KCM Nigeria on consolidation		8,746,043
Elimination of amount payable to Energio Ltd on consolidation*		5,967,909
Issue of 2,250,000 Shares to Consultant		(450,000)
Issue of 6,250,000 Options to Consultant		(612,500)
		<u>4,905,409</u>
Pro-forma Balance		<u>(22,555,577)</u>

* This amount of \$5,967,909 was repayable to Energio. Energio had deemed this amount not recoverable and had written it off as at 30 June 2011. Therefore this amount payable by KCMH Australia has been eliminated against retained earnings.

NOTE 13: BUSINESS COMBINATION

A summary of the details with respect to the acquisitions of KCMH Australia and KCM Nigeria as included in our report is set out below. These details have been determined for the purposes of the pro-forma adjustments as at 30 June 2011 however will require re-determination as at the successful acquisition date which may result in changes to the values as disclosed below.

Details of the net assets acquired, purchase consideration and notional fair value attributable to the exploration assets are as follows:

	Fair value
	\$
Cash and cash equivalents	3,043,092
Trade and other receivables	5,191,298
Trade and other payables	(135,354)
Financial liabilities	(11,159,206)
Net identifiable assets	(3,060,170)
Purchase consideration comprises:	
86,890,625 Ordinary Shares issued at \$0.20 each	17,378,125
15,958,063 Ordinary Shares issued at \$0.20 each	3,191,613
	20,569,738
Fair value attributable to exploration assets of KCMH Australia	23,629,908
Deferred tax liability (DTL) uplift recognised at 30% of the value increase of exploration assets (refer to Note 9)	7,088,972
Pro-forma adjustment to exploration assets	30,718,880

The net identifiable assets identified above excludes the \$88,102 investment held by KCMH Australia in KCM Nigeria, and the loan amount of \$4,483,997 that was converted from debt to equity in KCMH Australia.

NOTE 14: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

NOTE 15: COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the prospectus.

10. SOLICITORS REPORT ON TITLE

TITLE REPORT

PREPARED FOR ENERGIO LIMITED

IN RESPECT OF

KCM MINING LIMITED

AUGUST 2011

**Aluko &
Oyebode**

BARRISTERS AND SOLICITORS
35 MOLONEY STREET, LAGOS, NIGERIA
www.aluko-oyebode.com

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PREAMBLE

1. INTRODUCTION

- 1.1 This title report on KCM Mining Limited (“**KCM**” or the “**Company**”) (the “**Title Report**”) has been prepared by **Aluko & Oyebode** at the request of Energio Limited (“**EIO**”) in connection with its proposed acquisition of the shares held by TGP Australia Limited (“**TGP**”), in KCM Mining Holdings Pty, which in turn owns a 75% interest in KCM, a Nigerian incorporated company (the “**Proposed Transaction**”).
- 1.2 For the purpose of this Title Report, we applied for a search to be conducted on the records of KCM at the Mining Cadastre Office, Abuja (the “**Cadastre**”) in order to determine the status of the various mining exploration licences held and applied for by KCM. We have received an official search report from the Cadastre, details of which are provided below. We have also conducted a due diligence on original documents held by KCM in respect of its mining concessions which were made available to us for our review.

2. SCOPE AND PURPOSE OF THE REPORT

- 2.1 We have compiled this Title Report in accordance with the agreed scope of work between EIO and Aluko & Oyebode.
- 2.3 This Title Report focuses exclusively on the title to mining concessions owned by KCM. Thus, the purpose of this Title Report is solely to draw the attention of EIO to any material issues or deficiencies relating to KCM’s title to the mining concessions and which may be relevant in the context of the Proposed Transaction. The reservations and qualifications contained in paragraph 3 below should be noted.

3. QUALIFICATIONS

- 3.1 This Title Report does not constitute a full audit of the legal affairs of KCM but has been prepared on the basis of the official search report issued by the Cadastre as well as documents provided by KCM. We have not independently verified the authenticity or accuracy of any documents relating to the mining licences held by KCM, we do not warrant or represent that any related documents and/or information are authentic or accurate and we do not accept any liability if that is not the case.
- 3.2 This Title Report, and the information contained herein, is subject to the following assumptions, reservations and qualifications:

- i unless the context clearly indicates to the contrary, this Title Report must be read as a synopsis of documentation and information provided to Aluko & Oyeboode;
- ii each executed document has been properly signed by the duly authorised representative(s) of the Cadastre;
- iii we have relied on the accuracy and completeness of the original search report as issued by the Cadastre we have assumed that the same is, and remains, up to date and is not misleading in any way;
- iv we have relied on the accuracy and completeness of the original copies of documents made available to us directly by KCM and we have assumed that the same were, and remain, up to date and are not misleading in any way;
- v references to matters within our knowledge are to matters within the actual knowledge of the partners and legal staff of Aluko & Oyeboode as of the date of this Title Report (subject to the other qualifications referred to in this Report) who, in each case, have been directly involved in this assignment;
- vi we cannot and do not express any opinion concerning the value of any assets, and in particular whether any such value is higher or lower than book value, or the value which has or will be assigned to any such asset for the purpose of any past, present or contemplated transaction;
- vii we have reported and opined only as to the law of the Federal Republic of Nigeria and express no opinion and accept no responsibility as to the law of any other jurisdiction or any documents, agreements or arrangements which may be subject to, or be construed in accordance with any such law; and
- viii this Title Report is expressed as of the date stated at the end of this preamble and we assume no obligation to update or supplement any views contained herein to reflect any fact or circumstance that may hereafter come to our attention or any changes in law that may hereafter occur or become effective.

ALUKO & OYEBODE
August 2011

MINING EXPLORATION LICENCES HELD BY KCM

1 Due Diligence on Mining Exploration Licences held by KCM

1.1 Status of Mining Exploration Licences at the Cadastre

On the basis of an application for a search to be conducted on the data base of KCM at the Cadastre which is the agency with sole responsibility for all matters pertaining to the administration of mineral titles in Nigeria, we were provided with an official due diligence report dated 12th July 2011. We have presented in the table below, information regarding the status of the various licences granted to, and applied for by the Company.

	Code No.	Holder	Payment¹	Status
1	6352EL	KCM	Paid	Granted & Issued
2	8886EL	KCM	Paid	Approved
3	6350EL	KCM	Paid	Approved
4	6351EL	KCM	Paid	Approved
5	7060EL	KCM	Paid	Approved
6	7061EL	KCM	Paid	Approved
7	9792EL	KCM	Paid	Approved
8	9794EL	KCM	Paid	Approved
9	9797EL	KCM	Paid	Approved
10	8583EL	KCM	Paid	Approved
11	9791EL	KCM	No	Physical licence is being processed
12	9793EL	KCM	No	Physical licence is being processed
13	9796EL	KCM	No	Physical licence is being processed
14	10586EL	KCM	No	Physical licence is being processed

Following our search at the Cadastre, KCM provided for our review, original copies of all licences held by the Company in respect of the mining concessions. Based on our review

¹ Payment of the annual service fees as at 12th July 2011

of the licences, we have provided in the table below a summary of the status of the licences held by KCM:

	Code No.	Holder	Payment	Status
1	6352EL	KCM	Paid	Granted & Issued
2	8886EL	KCM	Paid	Granted & Issued
3	6350EL	KCM	Paid	Granted & Issued
4	6351EL	KCM	Paid	Granted & Issued
5	7060EL	KCM	Paid	Granted & Issued
6	7061EL	KCM	Paid	Granted & Issued
7	9792EL	KCM	Paid	Granted & Issued
8	9794EL	KCM	Paid	Granted & Issued
9	9797EL	KCM	Paid	Granted & Issued
10	8583EL	KCM	Paid	Granted & Issued
11	10586EL	KCM	Paid	Granted & Issued
12	9791EL	KCM	Paid	Licence application granted and awaiting issuance of physical licence
13	9793EL	KCM	Paid	Licence application granted and awaiting issuance of physical licence
14	9796EL	KCM	Paid	Licence application granted and awaiting issuance of physical licence

1.2 Exploration Licences

The details of each original licence held by KCM which we sighted in the course of our due diligence exercise is as follows:

1.2.1 EL 7061

Number of Cadastre Units – 64
Area (Km²) – 12.8
Local Government Area – Ajaokuta
State – Kogi
Effective Date – 4th May 2010

Expiry Date – 3rd May 2013
Issue Date – 6th July 2011

1.2.2 EL 6352

Number of Cadastre Units – 64
Area (Km²) – 12.8
Local Government Area – Okene
State – Kogi
Effective Date – 4th May 2010
Expiry Date – 3rd May 2013
Issue Date – 7th September 2010

1.2.3 EL 7060

Number of Cadastre Units – 64
Area (Km²) – 12.8
Local Government Area – Ajaokuta
State – Kogi
Effective Date – 4th May 2010
Expiry Date – 3rd May 2013
Issue Date – 6th July 2011

1.2.4 EL 9797

Number of Cadastre Units – 32
Area (Km²) – 6.4
Local Government Area – Kogi
State – Kogi
Effective Date – 3rd September 2010
Expiry Date – 3rd September 2013
Issue Date – 19th July 2011

1.2.5 EL 6351

Number of Cadastre Units – 112
Area (Km²) – 22.4
Local Government Area – Okene
State – Kogi
Effective Date – 4th May 2010
Expiry Date – 3rd May 2013
Issue Date – 6th July 2011

1.2.6 EL 9792

Number of Cadastre Units – 193
Area (Km²) – 38.6
Local Government Area – Lokoja
State – Kogi
Effective Date – 3rd September 2010
Expiry Date – 3rd September 2013
Issue Date – 19th July 2011

1.2.7 EL 9794

Number of Cadastre Units – 35
Area (Km²) – 7
Local Government Area – Bassa
State – Kogi
Effective Date – 3rd September 2010
Expiry Date – 3rd September 2013
Issue Date – 19th July 2011

1.2.8 EL 8886

Number of Cadastre Units – 89
Area (Km²) – 17.8
Local Government Area – Lokoja
State – Kogi
Effective Date – 4th May 2010
Expiry Date – 3rd May 2013
Issue Date – 6th July 2011

1.2.9 EL 8583

Number of Cadastre Units – 8
Area (Km²) – 1.6
Local Government Area – Lokoja
State – Kogi
Effective Date – 4th May 2010
Expiry Date – 3rd May 2013
Issue Date – Not indicated

1.2.10 EL 6350

Number of Cadastre Units – 112
Area (Km²) – 22.4
Local Government Area – Kogi
State – Kogi

Effective Date – 4th May 2010
Expiry Date – 3rd May 2013
Issue Date – 6th July 2011

1.2.11 EL 10586

Number of Cadastre Units – 17
Area (Km²) – 3.4
Local Government Area – Bassa
State – Kogi
Effective Date – 4th March 2011
Expiry Date – 3rd March 2014
Issue Date – 8th August 2011

1.3 Notification of Grant of Exploration Licence

As stated in our summary above, Exploration Licences 9791, 9793 and 9796 have been granted but KCM is currently awaiting the issuance of the physical licences. We were however provided with original copies of the notifications of grant of licence issued by the Cadastre to KCM, details of which we have provided below:

1.3.1 EL9791

Number of Cadastre Units – 173
Area (Km²) – 34.6
Local Government Area – Lokoja
State – Kogi

1.3.2 EL9793

Number of Cadastre Units – 52
Area (Km²) – 10.4
Local Government Area – Lokoja
State – Kogi

1.3.3 EL9796

Number of Cadastre Units – 15
Area (Km²) – 3
Local Government Area – Kogi
State – Kogi

1.4 Payment of Annual Fees

Pursuant to the provisions of the Mineral Title Applications and Administrative Guidelines, the holder of a mineral title is required to pay an annual service fee to the Cadastre. Consequently, we were provided with original copies of receipts obtained in respect of the payment of 2011 annual service fee for the following licences:

Licence No.	Amount	Date of Receipt
6350	₦108,000.00	29/4/11
6351	₦ 56,000.00	29/4/11
7060	₦ 32,000.00	29/4/11
7061	₦ 32,000.00	29/4/11
8886	₦ 44,500.00	29/4/11
8583	₦ 4,000.00	29/4/11
6352	₦ 32,000.00	29/4/11
10586	₦ 8,500.00	04/3/11
9791	₦ 173,000.00	02/8/11
9792	₦ 193,000.00	02/8/11
9793	₦ 52,000.00	02/8/11
9794	₦ 35,000.00	02/8/11
9796	₦ 15,000.00	02/8/11
9797	₦ 32,000.00	02/8/11

Comments:

1. We were instructed to conduct a search on 15 licences, however, the Cadastre has only provided us with information in respect of 14 licences. The Cadastre has been unable to provide us with any information regarding 1 outstanding licence i.e. EL9795. During a meeting held with Mr. Kevin Joseph of KCM, we were informed that the reason our search at the Cadastre did not disclose the details of the aforementioned licence was due to the fact that the Cadastre had declared a dispute over the mining licence on the ground that the licence encroaches an adjoining land.
2. We were further informed by Mr. Kevin Joseph that licence no. EL8583 was erroneously issued to cover an area less than the actual area approved for KCM. In order to resolve the discrepancy, the Director General of the Cadastre has approved the issuance of an additional licence (licence no. EL12124) to cover the difference in the area allotted. The issuance of EL12124 would bring the total number of licences held by KCM to 16.
3. Based on the official search report received from the Cadastre dated 12th July 2011, there are no mortgages, charges or sub-leases in respect of the above-mentioned 14 licences which have been issued, granted and/or approved in favour of KCM.

- 4. We sighted original copies of exploration licences issued by the Cadastre in respect of only 11 mining concessions.**

REGULATORY AND COMPLIANCE

2. Regulation of the Nigerian Mining Industry

2.1. Nigerian Minerals and Mining Act

2.1.1 Ownership and Control of Minerals

By virtue of the Nigerian Minerals and Mining Act² (“Mining Act”), the entire property in and control of all mineral resources in, under or upon any land in Nigeria, its contiguous continental shelf and all rivers, streams and water courses throughout Nigeria, any area covered by its territorial waters or constituency and the exclusive economic zone is and shall be vested in the Government of the Federation for and on behalf of the people of Nigeria³. However, the property in mineral resources shall pass from the Government to the person by whom the mineral resources are lawfully won, upon their recovery in accordance with the provisions of the Mining Act⁴.

2.1.2 Grant of Mineral Titles

Subject to the provisions of the Mining Act, the right to search for or exploit mineral resources is obtained through one of the following mineral titles in the form of:

- (a) a Reconnaissance Permit;
- (b) an Exploration Licence;
- (c) a Small Scale Mining Lease;
- (d) a Mining Lease;
- (e) a Quarry Lease; and
- (f) a Water Use Permit

Any person who undertakes or is involved in the search for or exploitation of mineral resources without the requisite mineral title or authority shall be deemed guilty of an offence.

2.1.3 Qualification for an Exploration Licence

In order to qualify for an Exploration Licence, the applicant must, among other things, be a body corporate duly incorporated under the Companies and Allied Matters Act⁵.

² 2007 Act No. 20

³ Section 1 of the Mining Act

⁴ Section 1(3) of the Mining Act

⁵ Section 48 of the Mining Act

2.1.4 Duration of an Exploration Licence

The duration of an exploration licence is 3 (three) years and it may be renewed for two further periods of 2 (two) years each provided:

- (a) the title holder has complied with his minimum work obligation commitments; and
- (b) all other requirements of the Mining Act and its regulations have been met.

2.1.5 Rights of Exploration Licence Holder

Pursuant to the provisions of section 60 of the Mining Act, the holder of an exploration licence shall have the exclusive right to conduct exploration upon the land within the area of his licence.

2.1.6 Free Transferability of Funds

Pursuant to section 27 of the Mining Act, the holder of a mineral title shall be guaranteed free transferability through the Central Bank of Nigeria in convertible currency, of:

- (a) Payments in respect of loan servicing where a certified foreign loan has been obtained by the holder for his mining operations; and
- (b) The remittance of foreign capital in the event of the sale or liquidation of the mining operations or any interest therein attributable to foreign investment.

2.1.7 Tax Relief Period

Where a company is granted any type of mineral title under the Mining Act, it shall be entitled to a tax relief period which shall commence on the date of operation and subject to the provisions of the Mining Act or any other relevant financial enactment, shall continue for 3 (three) years. At the end of the initial period of 3 (three) years, the relief period may be extended for one further period of 2 (two) years.

It is pertinent to note, however, that the extension of the relief period shall be subject to the Minister being satisfied as to the following:

- (a) The rate of expansion, standard of efficiency and level of development of the company in mineral operations for which the mineral title was granted;
- (b) The implementation of any conditions upon which a lease was granted; and
- (c) The training and development of Nigerian personnel in the operation of the mineral concerned⁶.

⁶ Section 28 of the Mining Act

2.1.8 Royalty

Any mineral obtained in the course of exploration or mining operations shall be liable to pay royalty as prescribed in the regulations made under the Mining Act. Furthermore, the holder of an exploration licence who sells any mineral resources as provided for in the Mining Act shall be subject to the payment of royalty as if the mineral resources sold were obtained under a mining lease.

2.1.9 Environmental Impact Assessment

Every holder of an exploration license shall, prior to the commencement of mining operations or upon application for an extension of the term or upon application for the conversion of a mineral title, submit the following to the Mines Environmental Compliance Department:

- (a) An environmental impact assessment statement approved by the Federal Ministry of Environment in respect of the exploration or mining operations to be conducted within the mineral title area; and
- (b) An Environmental Protection and Rehabilitation Program containing such details as may be provided for in the environmental regulations issued pursuant to the Mining Act.

2.1.10 Transfer of Mineral Title

The rights arising from a mineral title or permit which are transferable under the Mining Act can be wholly or partially assigned, sub-leased, pledged, mortgaged, charged, hypothecated or subject to any security interest. However, transfer of a mineral title or permit is subject to the approval of the Minister and registration of the transfer with the Mining Cadastre Office⁷.

2.2 Mineral Title Applications and Administrative Guidelines

The Mineral Title Applications and Administrative Guidelines (the “Guidelines”) are made pursuant to the Mining Act. We have provided below, some salient provisions of the Guidelines:

2.2.1 Grant of Mineral Titles and Authorizations

An exploration licence is usually granted in response to an individual request or as a result of a competitive bidding procedure which is solely administered by the Cadastre according to the relevant Guidelines. Typically, where a mineral title is issued or revoked, the Cadastre shall publish such issuance or revocation in the Gazette, the Central Mining Cadastre Office as well as the respective Zonal Mining Cadastre Office.

⁷ Section 147 of the Mining Act

2.2.2 Exploration Licence Application

The Guidelines make provision for the processes involved in procuring an exploration licence application. Generally, the procedure is as follows:

- (a) An applicant shall pay a non-refundable Exploration License Application Processing Fee as specified in the Guidelines;
- (b) The applicant shall submit 3 copies of the Application for Exploration Licence (Form A-2) to the Cadastre or to the Zonal Mining Cadastre Office responsible for the area being applied for, for registration and processing;
- (c) The Application, which shall be completed and signed by the applicant or his authorized representative, shall specify the complete identification and contact information of the applicant as well as the contiguous area applied for, in accordance with the method prescribed in the Guidelines;
- (d) The Application shall have the following documentation annexed to it:
 - (i) Receipt for Payment of Exploration Licence Application Processing Fee;
 - (ii) Where the applicant is a body corporate as is the status of KCM, a certified copy of the certificate of incorporation or other constitutive document provided under the Companies' Law as well as Form AT – 1 (Attestation of No Minerals and Mining Act Offence or Felony Conviction) attesting that the applicant, including all its members or directors or any of its shareholders holding a controlling share, has not been convicted of a felony or an offence under the Mining Act; and
 - (iii) Such other information as the applicant desires to include;
- (e) The Cadastre shall, upon receipt of the information required above, verify whether the application is complete and shall reject and not register any incomplete application; and
- (f) Where the application is complete upon verification, the Cadastre shall register the exploration licence application and shall give a copy to the applicant and also have the area applied for, to be recorded in the Cadastral Maps.

2.2.3 Duration of Exploration Licence

Under the Guidelines, mining exploration licences are initially granted for a term of 3 (three) years, renewable for 2 (two) further periods of 2 (two) years each, provided that the holder has complied with his minimum work obligation commitments and other relevant provisions of the Act.

Please note that the application for such renewal must be submitted no later than 3 (three) months before the expiration of an exploration licence. However, where an application for exploration licence renewal is received less than 3 (three) months prior to the expiry of the original term of the exploration licence, the Director General of the Cadastre may deny or consider the application but shall impose on the holder of the licence, upon such licence renewal, a non-refundable late filing fee as specified in the Guidelines. Please note further that, subject to the title holder complying with the required obligations under the Guidelines, the term of an exploration licence, including all renewals, shall not exceed 7 (seven) years.

2.2.4 Exploration Licence Area

An exploration license is typically granted in respect of an area not exceeding 200 (two hundred) square kilometers. Please note that after an exploration licence is issued, the licence area cannot be enlarged.

2.2.5 Obligations of an Exploration Licence Titleholder

Pursuant to the Guidelines, an exploration licence titleholder shall satisfy all obligations imposed under any regulation made pursuant the Mining Act. Specifically, a titleholder may apply once annually to the Cadastre to suspend the obligation to work in respect of the license; the Cadastre shall, upon the show of good cause, suspend the licence for a period of one year and direct that any or part of the period of suspension shall not be reckoned in the currency of the licence, such that the holder shall be exempted from paying the requisite fees for the suspension period. Failure of a titleholder to meet any relevant obligation shall, if so stated in the relevant regulation, result in the revocation of the licence by the Cadastre.

2.2.6 Minimum Work Obligations and Exploration Licence Reports

Pursuant to the Guidelines, an exploration licence holder shall meet the minimum annual work obligations as well as the reporting requirements as established by such other guidelines as may come into force under the Mining Act and that are administered by the Inspectorate. Please note that upon receipt of a notice from the Inspectorate that a titleholder has failed to meet the prescribed minimum annual work obligation as well as the reporting requirement, the Cadastre shall proceed to revoke the license.

2.2.7 Transfer and Assignment

Under the Guidelines, the titleholder of an exploration license may apply to transfer or assign the ownership of that mineral title. The applicant shall submit, in addition to an authenticated copy of the proposed instrument of transfer or assignment, 3 (three) copies of a written application (containing the terms and conditions of the transfer or assignment) to the Cadastre, for registration and processing as well as payment of a non-refundable Mineral Title/Assignment Application Processing Fee. The Director General,

upon being satisfied that the applicant has complied with all the relevant requirements, shall approve such application.

2.2.8 Annual Service Fee

Under the Guidelines, the holder of a mineral title shall pay an annual service fee to the Cadastre equal to the number of Cadastral Units that comprise the title area multiplied by the fee per Cadastral Unit for that type of title as set out in the Guidelines, and such amount shall be payable regardless of whether the mineral title area was held for less than a full Calendar Year. It is pertinent to note that a mineral title may be liable to revocation where the holder of such title fails to pay the prescribed fees⁸.

2.2.9 Royalty

Under the Guidelines, a mineral titleholder shall pay royalty as prescribed by such other guidelines as may come into force under the Mining Act and that are administered by the Inspectorate. Upon receipt of a notice from the Inspectorate that a titleholder has failed to meet the prescribed royalty reporting and payment requirements, the Cadastre shall proceed to revoke the title.

2.3 Participation of Foreign Entities in the Nigerian Mining Industry

2.3.1 Foreign participation in Nigerian entities is generally regulated by the Nigerian Investment Promotion Commission Act (“NIPC Act”)⁹, which provides that a non - Nigerian may invest and participate in the operation of any enterprise in Nigeria, except items on the negative list. Furthermore, the NIPC Act permits a foreign enterprise to buy the shares of any Nigerian enterprise in any convertible foreign currency.

With respect to the repatriation of funds invested in Nigerian entities by non-Nigerians, the NIPC Act and the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act¹⁰ (“Foreign Exchange Act”) guarantee the unconditional transferability of such funds outside Nigeria, provided the funds are in-flowed through an Authorised Dealer who is required to issue a Certificate of Capital Importation (“CCI”) within 24 hours of the funds being in-flowed into Nigeria. An Authorised Dealer is any Nigerian Bank duly licensed and authorised by the Central Bank of Nigeria.

It is pertinent to note that the Mining Act expressly provides that the provisions of the Foreign Exchange Act and the NIPC Act shall apply to any foreign investment or investment in foreign currency made in respect of any mineral title granted pursuant to the Mining Act¹¹.

⁸ Section 11 of the Mining Act

⁹ CAP N117 Laws of the Federation of Nigeria 2004

¹⁰ CAP F34 Laws of the Federation of Nigeria 2004

¹¹ Section 29 of the Mining Act

11. RISK FACTORS

11.1 Introduction

The Shares offered under this Prospectus are considered speculative. An investment in our Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to our business as detailed in Section 3.12 of this Prospectus. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

11.2 Company specific

Refer to Section 3.12 of this Prospectus.

11.3 Industry Specific

(a) Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities 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.

(b) Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any earn-in agreement or joint venture to which the Company may become a party or the insolvency or managerial failure by any of the contractors to be used in future by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers to be used in future by the Company for any activity.

(c) **Water Supply**

Water supply for the Company's projects, and any future projects, will be sourced from individual locations. The Company will be required to apply for and obtain water use licences from the relevant governmental authorities. The process for obtaining a water use licence is a lengthy one and the Company's operations may be adversely affected in the event that the relevant licences are not obtained in a timely manner. An inadequate water supply would negatively affect the project and any future projects.

(d) **Labour Risk**

The Company's operations may be adversely affected by labour disputes or changes in Nigerian labour laws. With the exception of employees classified as essential - members of the armed services, the police force, fire-fighters, Central Bank employees, and customs and excise staff - Nigerian workers may form or join trade or labour unions. They may also strike to obtain improved working conditions and benefits and bargain collectively for higher wages.

Strikes or industrial actions by workers tend to be frequent in Nigeria. Although plagued by leadership struggles, ideological differences and regional ethnic conflicts, the Nigerian Labor Congress has been able to organize or threaten nationwide workers' strikes, demanding the retention of government subsidies on petroleum products, minimum wages, and improved working conditions.

11.4 **General risks**

(a) **Economic Risks**

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

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

(b) **Market Conditions**

The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for

equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Exploration**

Mining exploration is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation a company brings to an exploration project, there is no assurance that recoverable mineral resources will be identified. Even if identified, other factors such as technical difficulties, geological conditions, adverse changes in government policy or legislation or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Company from successfully exploiting the resource.

(d) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(e) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

12. MATERIAL CONTRACTS

12.1 Put and Call Deed

As announced on 8 April 2011, the Company has exercised its call option with TGP to acquire 100% of the fully paid ordinary shares in KCMH Australia from TGP. KCMH Australia is the holding company of KCM Nigeria which owns a package of iron ore licences in Kogi State, Nigeria.

Under the Put and Call Deed,

- (a) TGP agreed to grant the Company a call option to acquire 100% of the fully paid ordinary shares in the capital of KCMH Australia; and
- (b) the Company agreed to grant TGP a put option to sell the 100% of the shares to the Company.

Whilst the call option has been exercised, settlement under the Put and Call Deed is still conditional upon Company re-complying with Chapters 1 and 2 of the ASX Listing Rules to the extent required by ASX.

The consideration for the acquisition of the shares in KCMH Australia is the issue of 830,000,000 fully paid ordinary shares in the Company to TGP (in the event that the Company raises at least a further \$4,500,000 or more in equity funds prior to settlement) or otherwise a pro-rata allocation of 1,037,500,000 Shares based on the following formula:

$$NS = 830,000,000 + (1,037,500,000 - 830,000,000) \times \frac{(12,000,000 - (7,500,000 + AR))}{12,000,000}$$

Where:

NS = the number of Shares to be issued to TGP.

AR = the amount raised under the Capital Raising.

(in each case pre Consolidation of the Company's issued capital that will be required in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules) **(TGP Consideration Shares)**.

Should the minimum subscription be raised under this Prospectus, the consideration for the acquisition of the shares in KCMH Australia is the issue of 86,890,625 Shares to TGP (post Consolidation).

The Put and Call Deed can be terminated in the event of:

- (a) a material adverse change to the financial position of either party. This relates to an event, matter or thing which arises or becomes known before settlement under the Put and Call Deed, with the result that the balance sheet of the party is (or is likely to be) adversely affected prior to or at completion by an amount of \$50,000 or more;
- (b) the insolvency of either party; or
- (c) a change of control of either party;

Settlement of the exercised call option is 5 business days after the satisfaction or waiver of the conditions precedent under the Put and Call Deed.

The Put and Call Deed otherwise contains terms and conditions which are considered standard for a deed of this type. The conditions precedent under the Put and Call Deed must be satisfied by 31 December 2011.

12.2 Share Sale Agreement

The Company has entered into the Share Sale Agreement with Bedford. Under the Share Sale Agreement, the Company has the right to purchase, free of encumbrances, Bedford's 5,000,000 ordinary, fully paid shares in KCM Nigeria (**Bedford Shares**). Title and risk to the Bedford Shares will pass to the Company upon settlement under the Share Sale Agreement.

This acquisition will also proceed subject to the satisfaction or waiver of the conditions precedent in the Put and Call Deed, as listed above.

The consideration for the purchase of the Bedford Shares is the issue of 146,600,000 fully paid ordinary shares in the Company to Bedford (in the event that the Company raises at least a further \$4,500,000 or more in equity funds prior to settlement or a pro-rata allocation of 215,830,000 Shares based on the following formula:

$$NS = 146,600,000 + (215,830,000 - 146,600,000) \times \frac{(12,000,000 - (7,500,000 + AR))}{12,000,000}$$

Where:

NS = the number of Purchaser Shares to be issued to the Vendor (on a pre-Consolidation basis).

AR = the amount raised under the Capital Raising.

(in each case pre any Consolidation of the Company's issued capital that will be required in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules) (**Bedford Consideration Shares**).

Should the minimum amount be raised under the Prospectus, the consideration for the purchase of the Bedford Shares will be satisfied by the issue of 15,958,063 Shares (post Consolidation) in the Company to Bedford (or its nominees). These Shares will be subject to a voluntary holding lock from the date of issue for a minimum of 9 months.

The holding lock is to be for a period equal to or the lesser of 50% of the escrow imposed on TGP under the Put and Call Deed or 9 months from settlement.

Settlement under the Share Sale Agreement is 10 business days after the satisfaction of the conditions precedent and is also conditional upon:

- (a) settlement occurring under the Put and Call Deed immediately prior to or contemporaneously with settlement under the Share Sale Agreement; and
- (b) the parties to the Share Sale Agreement complying with all their obligations.

At settlement:

- (a) the Company is to receive title to the Bedford Shares; and
- (b) Bedford is to provide the Company with share certificates in respect of the Bedford Shares, instruments of transfer for the Bedford Shares and an executed restriction agreement in relation to the agreed voluntary holding lock.

The Share Sale Agreement may be terminated if any of the conditions precedent in the Put and Call Deed or Share Sale Agreement are not satisfied or waived by the parties to the Put and Call Deed or become incapable of satisfaction.

The end date under the Share Sale Agreement is 31 December 2011.

The agreement otherwise contains terms and conditions which are considered standard for an agreement of this type.

12.3 Loan Agreement

On 7 November 2010, the Company, KCMH Australia and TGP executed a loan agreement (**Loan Agreement**). Pursuant to the Loan Agreement, the Company agreed to make the following advances to KCMH Australia:

- (a) \$800,000; and
- (b) further advances after completion of the Company's due diligence on KCMH Australia as agreed between the Company and KCMH Australia.

These advances must only be used for:

- (a) the acquisition and exploration by KCMH Australia or its subsidiaries; and/or
- (b) working capital of KCMH Australia or its subsidiaries.

KCMH Australia is to pay interest at the rate of 5% per annum and the advance is due to be repaid within 2 years of the advance date.

The parties to the Loan Agreement agree that no part of any debt owing by KCMH Australia to TGP is due for payment or capable of being declared due for payment unless:

- (a) all monies owing to the Company pursuant to the Loan Agreement are satisfied or paid in full; or
- (b) an insolvency event occurs.

An event of default is constituted under the Loan Agreement if:

- (a) KCMH Australia fails to pay any amount that is due and payable by it under the Loan Agreement;
- (b) KCMH Australia fails to comply with any obligations under the Loan Agreement and the failure cannot be remedied or the failure is not remedied within 10 Business Days of when it occurs; or

- (c) an insolvency event occurs.

Should an event of default occur under the Loan Agreement and not be remedied, the Company may notify KCMH Australia that any amounts outstanding under the Loan Agreement are immediately payable, payable on demand and payable in priority to any debt owed by KCMH Australia to TGP.

12.4 Deed of Indemnity, Insurance and Access

The Company has entered into deeds of indemnity, insurance and access with each of its Directors (**Deeds**).

Pursuant to these Deeds, the Company indemnifies each Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting as an officer of the Company. The Company will be required under the Deeds to maintain insurance policies for the benefit of the relevant Director for the term of the appointment and for a period of 7 years after the relevant Director's retirement or resignation.

The Deeds also provide for the Director's right of access to Board papers.

12.5 Drilling Contract between Spektra Jeotek AS and KCMH Australia

KCMH Australia and Spektra Jeotek Sanayi ve Ticaret A.S. (**Spektra**) executed a drilling contract on 4 July 2011 (**Drilling Contract**).

Under the Drilling Contract, Spektra is to:

- (a) reverse circulation drill to a depth of between 20 and 40 metres at Agjaba Plateau, Lokoja, Kogi State, Nigeria;
- (b) provide and be responsible for its own equipment and personnel to perform this drilling; and
- (c) operate the machines for 2 x 12 hour shifts per day.

The Drilling Contract is extendable to 40 metres under the same terms and conditions upon written notice by the Company to Spektra and drilling is to begin in September 2011.

13. ADDITIONAL INFORMATION

13.1 Rights Attaching to Shares

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

The Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend. Subject to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares in accordance with Part 2H.5 of Chapter 2H of the Corporations Act.

(d) Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be

so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other Shares in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, Shares classified by ASX as restricted Shares at the time of the commencement of the winding up shall rank in priority after all other Shares.

(e) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

13.2 Terms of Options

The material terms and conditions attaching to the existing Options on issue which have an exercise price of \$0.20 each after the Consolidation (as set out in Section 3.9) are set out below:

- (a) Each option (**Option**) entitles the holder to subscribe for one Share at an exercise price of \$0.20 (**Exercise Price**).
- (b) The Options are exercisable at any time on or before 5.00pm Western Standard Time on 30 November 2013 (**Option Expiry Date**). Options may only be exercised in multiples of 1,000. Any Options not exercised by the Option Expiry Date shall lapse.
- (c) Options may not be exercised if the effect of such exercise and subsequent allotment of the Shares would be to create a holding of less than a marketable parcel of Shares unless the allottee is already a Shareholder of The Company at the time of exercise.
- (d) Exercise of the Option is effected by completing a notice of exercise of option and delivering it to the registered office of the Company together with payment of 20 cent per Option exercised.

- (e) The Options are freely transferable, subject to any offer for sale of the Options complying with section 707 of the Corporations Act (if applicable).
- (f) All Shares issued upon exercise of the Options and payment of the Exercise Price will rank equally in all respects with the Company's then existing Shares. The Company will apply for Official Quotation by ASX of all Shares issued upon exercise of the Options within three days of the issue of the Shares.
- (g) A certificate will not be issued for the Options and an uncertificated holding statement will be provided.
- (h) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new entitlement issues of capital offered to Shareholders during the currency of the Options. However, The Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business days after the Issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (i) In the event of any reconstruction, including a consolidation, subdivision, reduction or return of the issued capital of the Company prior to the Option Expiry Date, the number of Options which each holder is entitled or the Exercise Price of the Options or both will be reconstructed as appropriate in a manner which is in accordance with the ASX Listing Rules and will not result in any benefits being conferred on Optionholders which are not conferred on Shareholders, subject to such provision with respect to the rounding of entitlements as may be sanctioned by the meeting of Shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the Options will remain unchanged. The rights of an Optionholder may be changed to comply with the Listing rules applying to a reorganisation of capital at the time of the reconstruction.
- (j) Shares allotted and issued pursuant to the exercise of an Option will be allotted and issued not more than 14 days after the receipt of a proper notice and payment of the exercise price in respect of the Options exercised.

13.3 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

(d) as an inducement to become, or to qualify as, a Director; or

(e) for services provided in connection with:

(i) the formation or promotion of the Company; or

(ii) the Offer.

13.4 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

(a) Director of the Company;

(b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus; or

(c) promoter of the Company,

has, or had within two (2) years before lodgement of this Prospectus with ASIC, any interest in:

(d) the formation or promotion of the Company;

(e) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer of Shares under this Prospectus; or

(f) the Offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the promotion of the Company or the Offer of Shares under this Prospectus.

BDO Corporate Finance (WA) Pty Ltd has acted as Investigating Accountant and has prepared an Investigating Accountant's Report which has been included in Section 9 of this Prospectus. The Company estimates it will pay BDO Corporate Finance (WA) Pty Ltd a total of \$15,000 for these services.

Steinepreis Paganin has acted as the Australian solicitors to the Company in relation to this Prospectus and has been involved in due diligence enquiries on Australian legal matters. The Company estimates it will pay Steinepreis Paganin approximately \$100,000 for these services up to the date of lodgement of this Prospectus with ASIC. Subsequently, fees will be charged in accordance with normal charge out rates.

Al Maynard & Associates has acted as the Independent Geologist and has prepared the Independent Geologist's Report set out in Section 8 of this Prospectus. The Company estimates that it will pay Al Maynard & Associates a total of \$41,360 for these services.

Aluko & Oyebode have acted as the Nigerian solicitors to the Company in relation to this Prospectus, has been involved in and has prepared a due diligence report and the Solicitor's Report on Title set out in Section 10 of this Prospectus. The Company estimates it will pay a total of approximately \$27,945 for these services.

13.5 Consents

Each of the parties referred to in this Section:

- (a) do not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

BDO Corporate Finance (WA) Pty Ltd has given their written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 9 in the form and context in which the report is included. BDO Corporate Finance (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Steinepreis Paganin has given its written consent to being named as the Australian solicitor to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Aluko & Oyebode has given its written consent to be named as the Nigerian solicitors to the Company in this Prospectus and to the inclusion of the Solicitor's Report on Title in Section 10 in the form and context in which the report is included. Aluko & Oyebode has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Al Maynard & Associates has given its written consent to being named as the Independent Geologist to the Company in this Prospectus and to the inclusion of the Independent Geologist's Report in Section 8 in the form and context in which the report is included. Al Maynard & Associates has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

13.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

13.2 Electronic Prospectus

Pursuant to Class Order 00/044, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Prospectus on the basis of a paper Prospectus lodged with ASIC, and the publication of notices referring to an electronic Prospectus, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the appropriate Application Forms. If you have not, please email the Company at

info@energio.net.au and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at www.energio.net.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary prospectus or any of those documents were incomplete or altered.

13.3 Taxation

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

13.4 Financial Forecasts

The Directors have considered the matter set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

14. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

Dr Ian Burston
Non-Executive Chairman
For and on behalf of
Energio Limited

15. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or \$ means an Australian dollar.

Agreements mean the Share Sale Agreement and the Put and Call Deed.

Annual General Meeting means the annual general meeting of shareholders of the Company held on 30 November 2011.

Application Form means the application form accompanying this Prospectus relating to the Offer.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange (as the context requires).

Bedford means Bedford CP Nominees Pty Ltd.

Bedford Consideration Shares means as defined in section 12.2 of this Prospectus.

Bedford Shares means as defined in section 12.2 of this Prospectus.

BHPB means BHP Billiton Limited ACN 004 028 077.

Board means the board of Directors of the Company as constituted from time to time.

Business Day means a day that is not a Saturday, Sunday or public holiday in Western Australia.

Capital Raising means the amount of funds raised by the Company by way of issue of new Shares pursuant to this Prospectus.

CHESS has the meaning given in section 5.4 of this Prospectus.

Closing Date means the closing date for the Offer as set out in the Investment Overview section or such other date as determined by the Directors at their sole discretion.

Company means Energo Limited (ACN 001 894 033).

Consolidation means the proposed 1:10 consolidation which was approved by Shareholders at the Annual General Meeting.

Constitution means the constitution of the Company.

Consultant means Noble Investments Superannuation Fund Pty Ltd.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Drilling Contract has the meaning given in section 12.5 of this Prospectus.

Exercise Price has the meaning given in section 13.2(a) of this Prospectus.

Expiry Date means 5.00pm WST on that date which is 13 months after the date this Prospectus was lodged with ASIC.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

Independent Geologist Report means the Independent Geologist Report prepared by Al Maynard & Associates as contained in section 8 of this Prospectus.

JORC means the Australasian Joint Ore Reserves Committee for reporting Mineral Resources and Ore Reserves.

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

KCMH Australia means KCM Mining Holdings Pty Ltd.

KCM Nigeria means KCM Mining Ltd (Incorporated in Nigeria).

Licences means the iron ore exploration licences in which KCM Nigeria has an interest, as set out in the Solicitor's Report on Title in Section 10 of this Prospectus.

Listing Rules means the official listing rules of ASX.

Loan Agreement has the meaning given in clause 12.3 of this Agreement.

Mineral Resource has the same meaning as provided in the JORC Code.

Notice of Meeting means the Notice of Meeting sent to Shareholders providing notice of the Annual General Meeting.

Offer means the offer of Shares under this Prospectus as outlined in Section 5.1 of this Prospectus.

Official List means the Official List of ASX.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Option means an option to subscribe for a Share.

Optionholder means a holder of an Option.

Option Expiry Date means as defined in section 13.2(b) of this Prospectus.

Prospectus means this prospectus.

Put and Call Deed means the Put and Call Option Deed entered into between KCMH Australia, the Company and TGP as summarised in section 12 of this Prospectus.

Recommendation has the meaning given in section 3.15 of this Prospectus.

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

Share Registry means Security Transfer Registrars Pty Ltd.

Share Sale Agreement means the Share Sale Agreement between the Company and Bedford as summarised in section 12 of this Prospectus.

Shareholder means a holder of Shares.

Spektra has the meaning given in section 12.5 of this Prospectus.

TGP means TGP Australia Limited (ACN 114 062 038).

TGP Consideration Shares means as defined in section 12.1 of this Prospectus.

Transaction means the issue of the Shares and other necessary steps in order to complete the Agreements.

WST means Western Standard Time in Western Australia.