

28 July 2022

Notice of General Meeting to Shareholders

Zeotech Limited (ASX:ZEO) provides the following documents regarding the general meeting of shareholders to be held on Wednesday, 31 August 2022. Due to the size of the accompanying documents, the notice of meeting will be released on the ASX market platform in two parts, as follows:

Notice of General Meeting (Part 1 of 2)

- Letter to shareholders
- Notice of General Meeting
- Explanatory Statement
- Annexure A to the Explanatory Statement – Independent Expert's Report (including Independent Technical Specialists Report)

Notice of General Meeting (Part 2 of 2)

- Annexure B to the Explanatory Statement – Ausrocks Mineral Estimate Report
- Sample proxy form

This announcement has been approved for release by the company secretary, Neville Bassett.

Neville Bassett
Company Secretary

25 July 2022

Dear Shareholder

GENERAL MEETING OF SHAREHOLDERS

Zeotech Limited (ASX:ZEO) (**Zeotech** or the **Company**) is convening a General Meeting of shareholders to be held on Wednesday, 31 August 2022, at 2:00 pm (AEST) (**Meeting**). If you would like to attend the Meeting, it will be held at the Hyatt Hotel Canberra, 120 Commonwealth Ave, Yarralumla, ACT 2600. If the above arrangements with respect to the Meeting change, shareholders will be updated via the ASX Market Announcements Platform as well as the Company's website at www.zeotech.com.au/asx-announcements/.

To assist the Company in ensuring that the Meeting is held in compliance with any COVID-19 safety requirements at the time of the Meeting, shareholders who wish to attend the Meeting in person should register their attendance with the Company at info@zeotech.com.au by no later than 5:00 pm (AEST) on 29 August 2022.

Notice of meeting

The Company will not be dispatching physical copies of the Notice of General Meeting, accompanying Explanatory statement and Independent Expert's Report (**Notice**). Instead, copies of the Notice is available for viewing and download at www.zeotech.com.au/asx-announcements/. Shareholders who have not elected to receive communications by email with the Company's share registry will receive a copy of this letter and a personalised proxy form by post.

Voting

Shareholders are encouraged to participate in voting on the resolution to be considered at the Meeting.

To vote by proxy:

1. Please lodge the Proxy Form online at <https://investor.automic.com.au/#/loginsah> by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' - 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form; or
2. Please complete and sign your Proxy Form, and deliver the Proxy Form:
 - i. by post to: Automic, GPO Box 5193, Sydney NSW 2001; or
 - ii. by hand to: Automic, Level 5, 126 Phillip Street, Sydney NSW 2000.
 - iii. by email: meetings@automicgroup.com.au

www.zeotech.com.au

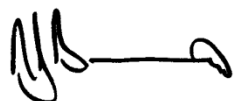
Zeotech Limited | ASX: ZEO

ACN 137 984 297

Level 27, Santos Place, 32 Turbot Street, Brisbane QLD 4000
P: +61 7 3181 5523 | E: info@zeotech.com.au

Proxy form instructions (by proxy form or online voting) must be received by the Company's share registry by no later than 2:00 pm (AEST) on Monday, 29 August 2022. Instructions received after that time will not be valid for the Meeting.

The Company encourages all shareholders to vote prior to the Meeting by returning their proxy voting instructions before the deadline and advises that all voting in respect of the resolution considered at the Meeting will be conducted on a poll.

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Neville Bassett
Company Secretary

Notice of General Meeting, Explanatory Statement, Independent Expert's Report and Proxy Form

Zeotech Limited
ACN 137 984 297

Venue

Hyatt Hotel Canberra
120 Commonwealth Ave, Yarralumla, ACT 2600

Time and Date

2.00pm (AEST)
Wednesday, 31 August 2022

IMPORTANT NOTE

The Notice of General Meeting, Explanatory Statement and Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

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Proxy Form	Attached

Important Dates

An indicative timetable of key proposed dates is set out below. These dates are indicative only and are subject to change.

Event	Date
Snapshot date for eligibility to vote	2.00pm (AEST) Monday, 29 August 2022
Last day for receipt of Proxy Forms*	2.00pm (AEST) Monday, 29 August 2022
Meeting	2.00pm (AEST) Wednesday, 31 August 2022
Completion of Kalotech Acquisition and issue of new Securities (anticipated)	Friday, 2 September 2022

*Proxy Forms received after 2.00pm (AEST) on Monday 29 August 2022 will be disregarded

Notice of General Meeting

Notice is hereby given that a General Meeting of Zeotech Limited (ACN 137 984 297) (**Company**) will be held at Hyatt Hotel Canberra, 120 Commonwealth Ave, Yarralumla ACT at [2.00pm (AEST) on Wednesday, 31 August 2022.

Agenda

The Resolution

Approval of Kalotech Acquisition and issue of Consideration Shares to Zilotech, a Related Party

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

"That under and for the purposes of Listing Rules 10.1 and 10.11 and section 208 of the Corporations Act and for all other purposes, Shareholders approve the acquisition of 200,000,000 Kalotech Shares from Zilotech Holdings Pty Ltd, and the issue of 37,000,000 Shares to Zilotech, a Related Party of the Company, as consideration for the acquisition."

Independent Expert's Report: shareholders should carefully consider the Independent Expert's Report prepared by Moore Australia Corporate Finance (WA) Pty Ltd for the purposes of shareholder approval in relation to the Resolution. The Independent Expert's Report comments on the fairness and reasonableness of the issue of consideration shares under the Resolution to non-associated shareholders. The Independent Expert has determined that the issue is **fair and reasonable** to non-associated shareholders.

Voting Exclusions

Voting exclusion statement

The Corporations Act and the Listing Rules require that the Company must disregard any votes cast in favour of the Resolution to be considered at the Meeting by or on behalf of:

- the named person or class of persons excluded from voting; or
- an Associate of that person or those persons.

However, the Company need not disregard a vote cast in favour of the Resolution if it is cast by:

- a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;
- the Meeting Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Meeting Chair on the Resolution as the Meeting Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

The Company will disregard any votes cast in favour of a resolution as set out in the table below:

Resolution	Nature of Resolution	Persons excluded from voting in favour
The Resolution	Approval of the issue of Consideration Shares to a Related Party	Zilotech, Peter Zardo, Agribusiness Management Pty Ltd and the Zardo Super Fund and any other person who will obtain a material benefit as a result of the Kalotech Acquisition and the issue of the Consideration Shares (except a benefit solely by reason of being a holder of Shares), or any Associates of those persons.

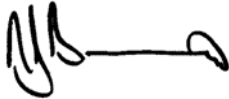
Explanatory Statement

For further information in relation to the items of business to be considered at the Meeting, please refer to the Explanatory Statement which accompanies this Notice. The Explanatory Statement forms part of this Notice.

Glossary

Unless inconsistent with the context, capitalised terms used in this Notice will have the meanings given to them in the Glossary of Terms set out in the Explanatory Statement.

By order of the Company's Board of Directors.

A handwritten signature in black ink, appearing to be 'NB' followed by a horizontal line and a small loop at the end.

Neville Bassett
Company Secretary

25 July 2022

Meeting and Voting Information

Voting entitlement (snapshot date) For the purposes of determining voting and attendance entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 2.00pm (AEST) on Monday, 29 August 2022. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Participation The Meeting will be held as a physical meeting. Shareholders may attend and participate (including to vote) in person at Hyatt Hotel Canberra, 120 Commonwealth Ave, Yarralumla, ACT.

Shareholders are therefore encouraged to appoint a proxy to attend and vote at the Meeting on their behalf.

IMPORTANT: COVID-19 matters The Company will be observing social distancing rules and other COVID-19 legal requirements that may apply having regard to the circumstances at the time of the Meeting.

Attending the Meeting in person may be affected or prevented by lockdowns, social gathering restrictions, travel restrictions or other governmental orders in response to the COVID-19 pandemic. The Company may be required to take special measures in response, such as limiting physical attendee numbers or prohibiting physical attendance at the Meeting altogether.

In light of the evolving COVID-19 situation, Shareholders are strongly encouraged to consider appointing the Meeting Chair as proxy to attend and vote at the Meeting on their behalf.

Appointment of Corporate Shareholder representatives A Shareholder that is a corporation may appoint an individual to act as its representative in accordance with section 250D of the Corporations Act. The Shareholder must lodge a satisfactory and duly executed appointment document with the Share Registry in accordance with the instructions below.

Appointment of attorneys A Shareholder may appoint an attorney to act on the Shareholders' behalf at the Meeting. To do so, the Shareholder must lodge a duly executed power of attorney with the Share Registry in accordance with the instructions below.

Appointment of proxies A Shareholder entitled to attend and vote at the Meeting is entitled to appoint up to two proxies. A proxy does not need to be a Shareholder.

To appoint a second proxy, a Shareholder must state on each Proxy Form (in the appropriate box) the percentage of voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half the Shareholder's votes. Fractions of votes will be disregarded.

Appointing the Meeting Chair as proxy

Shareholders may appoint the Meeting Chair as their proxy by marking the relevant box on the Proxy Form. Proxy Forms submitted without specifying the name of the proxy or expressly nominating the Meeting Chair as proxy will be deemed an appointment of the Meeting Chair. The Meeting Chair will be deemed proxy for a Shareholder if the proxy named in the Proxy Form does not attend the Meeting.

Directing a proxy how to vote

Shareholders may direct a proxy whether to vote for or against, or to abstain from voting, on the Resolution by marking the relevant box on the Proxy Form. Shareholders may also specify the proportion or number of votes that a proxy may exercise. All votes must be cast in accordance with such directions.

Directed proxies that are not voted on a poll at the Meeting by an appointed proxy will default to the Meeting Chair who will be required to vote proxies as directed on a poll.

Subject to any legal restrictions on proxy voting, a proxy may vote on the Resolution at their discretion unless the Proxy Form directs the proxy how to vote on the Resolution.

Lodgement of a Proxy form / appointment documents

The Proxy Form (and any power of attorney or other authority, if any, under which it is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be lodged with the Company no later than **2.00pm (AEST) on Monday, 29 August 2022** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid. Proxy Forms may be lodged:

online: Lodge the Proxy Form online at <https://investor.automic.com.au/#/loginsah> by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form

by hand: Automic, Level 5, 126 Phillip Street, NSW 2000

by post: Automic Pty Ltd, GPO Box 5193, Sydney NSW 2001

Proxy voting intention of Meeting Chair

The Meeting Chair intends to vote all undirected proxies **FOR** the Resolution. In exceptional cases, the Meeting Chair may change their voting intention, in which case the Company will make an announcement to ASX in this regard.

Voting procedure

Voting on the Resolution at the Meeting will be conducted by way of a poll.

Questions by Shareholders

The Meeting Chair will allow a reasonable opportunity at the Meeting for Shareholders to ask questions or make comments on the proposed Kalotech Acquisition.

Please submit any questions to the Company by 2.00pm (AEST) on Monday, 29 August 2022 in the same manner as outlined above for lodgement of appointment documents.

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolution in the accompanying Notice of General Meeting.

Shareholders should also carefully read the Independent Expert's Report in Annexure A when considering how to vote on the Resolution.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary or otherwise in the Explanatory Statement.

1. Approval to acquire Kalotech and to issue of Shares to Zilotech, a Related Party

The Resolution seeks Shareholder approval of the proposed acquisition by the Company of 100% of the shares in Kalotech Pty Ltd (**Kalotech**) from Zilotech Holdings Pty Ltd (**Zilotech**).

Kalotech holds the mining lease and exploration permits that comprise the Toondoon Kaolin Project (**Project**) located in Queensland.

The Company has entered into the Share Sale and Purchase Agreement with Zilotech to acquire 100% of the issued capital in Kalotech (**Kalotech Acquisition**).

The Company proposes to issue 37,000,000 Shares to Zilotech as consideration for the Kalotech Acquisition.

Mr Peter Zardo, a Director of the Company, is the controller of a company, Agribusiness Management Pty Ltd which holds 20% of the issued shares in Zilotech and is a substantial shareholder of Zilotech.

2. Information about Kalotech and the Kalotech Acquisition

2.1 Purpose of the Kalotech Acquisition

The purpose of the Company's proposed acquisition of Kalotech is for the Company to acquire effective ownership and control of the Toondoon Kaolin Project, which comprises one of the highest grade raw ore kaolin deposits in Australia.

Acquisition of the Project is considered complementary to, and consistent with, the Company's current business operations. There will be no change to the focus of the Company's business following completion of the Kalotech Acquisition.

The proposed Kalotech Acquisition will deliver a step-change in the resource base for the Company and will potentially accelerate the Company's path to revenues and commercialisation of its proprietary zeolite mineral processing technology.

The University of Queensland has tested Kalotech kaolin feedstock for the Company's proprietary zeolite mineral processing technology and the results confirm applying the high-grade kaolin offers improved economics by reducing zeolite production operating expenditure.

The Kalotech Acquisition was first announced by the Company to ASX on 23 August 2021. Completion of the Kalotech Acquisition requires satisfaction of a number of conditions precedent, including Queensland Department of Resources approval to the transfer of the mining lease comprising the Toondoon Kaolin Project to Kalotech, which took several months to obtain following the announcement but has now occurred.

2.2 Toondoon Kaolin Project

Kalotech is the holder of ML80126 (**Mining Lease**) and EPM 27395 and EPMA 27866 (**Exploration Permits**) that comprise the 28,000-hectare Toondoon Kaolin Project located in southeast Queensland (**Toondoon Project** or **Project**). The Project comprises one of the highest grade raw ore kaolin deposits in Australia.

The Project is located approximately 27km southwest of Mundubbera, Queensland.

The Project is a flat lying tabular deposit containing bauxitic, plastic, kaolin and sandy kaolin clays.

The Project has total clay Mineral Resources of 23.89Mt, including a measured Mineral Resource totalling 7.73 Mt, an indicated Mineral Resource totalling 13.76 Mt and an inferred Mineral Resources of 2.4 Mt. The total Mineral Resources for each clay-type within the Project above a cut-off criterion of 32% Al₂O₃ are as follows:

- Bauxitic clay – 5.61 Mt;
- Plastic clay – 7.85 Mt;
- Kaolinite clay (with high iron >0.5%) – 2.73 Mt;
- Kaolinite clay (with low iron <0.5%) – 3.56 Mt; and
- Sandy clay – 4.14 Mt.

These Mineral Resource estimations for the Project have increased since the Mineral Resource estimations for the Project as stated in Table 1 of the Company's announcement of 23 August 2021.

The current Mineral Resource estimations are stated in sections 1.4 and 8.7 of the Independent Technical Specialist Report prepared by Derisk Geomining Consultants Pty Ltd contained in Appendix D of the Independent Expert's Report accompanying this Notice at Annexure A (**Independent Technical Specialist Report**).

The Independent Technical Specialist Report refers to a report prepared by Ausrocks Pty Ltd (**Ausrocks**) dated January 2022 entitled "Toondoon Kaolin Report Upgraded Mineral Resource Estimate" (**Ausrocks Mineral Estimate Report**). A copy of the Ausrocks Mineral Estimate Report accompanies this Notice at Annexure B.

Further technical information about the Project generally is contained in the Independent Technical Specialist Report and in the Ausrocks Mineral Resource Report.

2.3 Effect of Kalotech Acquisition

The potential financial effect of the Kalotech Acquisition on the Company's financial position is set out below:

Financial metric	Company as at 31 December 2021	Kalotech as at 31 March 2022 (un-audited)	Proforma following Kalotech Acquisition	Percentage change
Total assets	\$10,890,409	\$622,115	\$13,284,409	21.98%
Total equity	\$10,694,212	\$468,114	\$13,088,212	22.38%

Further information about Kalotech's financial position and financial performance, and the value of Kalotech's assets is contained in the Independent Expert's Report accompanying this Notice at Annexure A.

The capital structure of the Company following the Kalotech Acquisition is set out below:

Shares	Number	%
Shares already on issue:	1,524,915,470	97.63%
Shares to be issued:		
Consideration Shares to be issue to Zilotech	37,000,000	2.37%
Total Shares on Issue	1,561,915,470	100.00%

2.4 Material terms of Transaction

The material terms of the Share Sale and Purchase Agreement are as follows:

- (a) **Consideration:** the consideration payable to Zilotech will comprise
 - (i) 37,000,000 Shares to be issued by the Company; and

- (ii) the Company reimbursing to Zilotech \$350,000 for costs incurred in relation to the Mining Lease and Exploration Permits held by Kalotech.
- (b) **Conditions:** the acquisition of Kalotech is conditional on satisfaction of the following matters:
 - (i) the Company completing due diligence to its absolute satisfaction of all legal, financial and technical aspects of the Toondoon deposit, the Mining Lease, Queensland tenements and associated reports and agreements as well as full corporate due diligence of the Company on or before the due diligence date and notifying Zilotech in writing of the results of the due diligence; the Company has completed its due diligence and this condition has been satisfied;
 - (ii) approval from the Queensland Department of Resources for the transfer of the Mining Lease to Kalotech being granted and the change in title being registered; this condition has been satisfied;
 - (iii) the Company receiving written confirmation from the ASX that Listing Rule 11.1.2 does not apply to the Kalotech Acquisition; the Company has received this confirmation from ASX;
 - (iv) the Company obtaining all Shareholder approvals as required under Listing Rules 10.1 and 10.11, Chapter 2E of the Corporations Act or any other approvals as required in relation to the Kalotech Acquisition as soon as is practicable; and
 - (v) Zilotech providing written substantiation of all costs and expenses incurred by Zilotech in relation to the Mining Lease and Exploration Permits held by Kalotech and for which Zilotech is to be reimbursed \$350,000.

3. Reasons for the proposed Acquisition and Directors' Recommendation

3.1 Advantages of the Kalotech Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to Shareholders' decisions on how to vote on the Resolution:

- (a) The Project provides a high-grade resource of raw ore kaolin held under an approved Mining Lease which can accelerate production of manufactured zeolites using the Company's proprietary mineral processing technology. The Abercorn project is held under Exploration Permits for Minerals only.
- (b) The acquisition will enable access to high-grade raw ore kaolin, offering lower operating expenditure and enhanced economic feasibility compared to the Company's Abercorn project, as follows:
 - (i) Abercorn project kaolin requires additional processing (wet-sizing to -20 micron) to achieve alumina levels of circa 29% Al₂O₃. The Toondoon Project kaolin does not require wet-sizing and provides raw ore alumina levels of circa 37% Al₂O₃. Alumina is the key element required to produce manufactured zeolites, utilising the Company's proprietary mineral processing technology.
 - (ii) One tonne of Abercorn raw ore kaolin yields 36.8% at -20 micron post wet-sizing, equating to 2.7 metric tonnes mined and processed to deliver 1 metric tonne of suitable zeolite feedstock product at circa 29% Al₂O₃. One tonne of Toondoon Project raw ore kaolin yields 100% at circa 37% Al₂O₃.
- (c) The acquisition would negate material capital expenditure to construct and commission a wet-processing plant, which would be necessary for the Company to utilise the Abercorn project raw ore kaolin as zeolite feedstock.
- (d) The Independent Expert's Report has found the acquisition to be fair and reasonable to the Non-Associated Shareholders.
- (e) The acquisition diversifies the current portfolio of assets held by Zeotech. This has a benefit because the Company can spread the risk of successful exploration and development across a number of projects.

3.2 Disadvantages of the Kalotech Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to Shareholders' decisions on how to vote on the proposed Resolution:

- (a) The Kalotech Acquisition will involve the issue of 37,000,000 Shares which will have a dilutionary effect on the current holdings of Shareholders; this dilutionary effect is considered minor.
- (b) Zeotech's current projects and the Toondoon Project are significantly geographically apart from one another. There is likely to be additional cost in managing the Toondoon Project.
- (c) Derisk estimates an initial capital expenditure requirement of \$8 million to commence development of the Toondoon Project. This could require Zeotech to raise additional funds in the future. Any future capital raise will result in additional dilution to Non-Associated Shareholders.

3.3 Intentions if acquisition does not proceed

In the event that the Resolution is not passed, and the Kalotech Acquisition does not proceed, the Company will continue its current business activities of mining exploration and continued research and development of the Company's patent-pending zeolite mineral processing technology.

3.4 Independent Expert's Report

(For the purposes of this Section 3.4, the term '**Proposed Transaction**' used in the Independent Expert's Report refers to the Kalotech Acquisition.)

The Directors engaged the Independent Expert to provide the Independent Expert's Report to assist the non-associated Shareholders in deciding how to vote on the Resolution.

The Independent Expert has concluded that the Proposed Transaction is **fair and reasonable** to non-associated Shareholders. When considering the Proposed Transaction, the Independent Expert considered the related Resolution, and terms and conditions of the Proposed Transaction.

The Independent Expert's Report accompanies the Notice as Annexure A. In summary, the Independent Expert considers the Proposed Transaction to be:

- (a) fair to the Non-Associated Shareholders because the assessed fair value of the Consideration to be paid by Zeotech is less than the value of the assessed fair value of the assets to be acquired ; and
- (b) reasonable because if the Proposed Transaction is successful, the position of the Non-Associated Shareholders is more advantageous than if the Proposed Transaction is not successful.

The Independent Expert has considered the advantages and disadvantages of the Proposed Transaction. At section 2.13 of the Independent Expert's Report, the Independent expert has summarised the advantages and disadvantages to be as follows:

Advantages

- The Proposed Transaction is fair.
- Zeotech will own all of the share capital in Kalotech.
- Zeotech will own two exploration licences and a mining lease within the Toondoon Kaolin project which is almost development ready and could provide future cash flows.
- Diversification of operations.

Disadvantages

- There would be a reduction in the control of the current Shareholders.
- There could be a loss of focus by Zeotech as it works on a number of different projects.
- If Zeotech intends to develop the Toondoon Project, it will be required to finance at least \$8 million in development capex.

- The Company is increasing its exposure to kaolin.

Further details of advantages and disadvantages of the Proposed Transaction as considered by the Independent Expert are contained in the Independent Expert's Report.

3.5 **Directors' recommendation**

The Directors (other than Mr Zardo) recommend that Shareholders vote in favour of the Resolution and refer to the advantages of the proposed Kalotech Acquisition as set out in Section 3.1.

Shareholders should refer to the Independent Expert's Report in respect of the proposed Kalotech Acquisition and its impact on the Company.

Peter Zardo declines to make a recommendation because he has a substantial shareholding interest in Zilotech, the vendor of Kalotech, and therefore has a material personal interest in the Proposed Acquisition.

4. **Regulatory requirements**

The Resolution seeks the required Shareholder approval to the Kalotech Acquisition and the issue of the Consideration Shares under and for the purposes of Listing Rules 10.1 and 10.11 and Section 208 of the Corporations Act.

If the Resolution is passed, the Company will issue the Consideration Shares and will proceed with the Kalotech Acquisition.

If the Resolution is not passed, the Company will not issue any Consideration Shares and the Kalotech Acquisition will not proceed.

4.1 **Listing Rules 10.1 and 10.11**

Listing Rule 10.1 provides that an entity must not acquire or agree to acquire a 'Substantial Asset' from, or dispose of or agree to dispose of a Substantial Asset to:

- (a) a Related Party;
- (b) a child entity;
- (c) a person who is, or was at any time in the 6 months before the transaction, a substantial (10%+) holder in the Company;
- (d) an associate of a person referred to in Listing Rules 10.1.1 to 10.1.3; or
- (e) a person whose relationship with the Company or person referred to in Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the issue or agreement should be approved by Shareholders,

unless it obtains the approval of its shareholders.

A 'Substantial Asset' includes an asset the value of which is greater than 5% of the value of equity interests of Company as at the date of last financial statements of the Company provided to ASX.

The Kalotech Acquisition falls within Listing Rule 10.1.4 and involves the acquisition of a Substantial Asset. It therefore requires the approval of Shareholders under Listing Rule 10.1.

Listing Rule 10.11 provides that, unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue Equity Securities to:

- (a) a Related Party;
- (b) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the Company;
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or expectation to do so;

- (d) an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- (e) a person whose relationship with the Company or person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by Shareholders,

unless it obtains the approval of its Shareholders.

The proposed issue of Consideration Shares to Zilotech constitutes the proposed issue of Shares to a Related Party of the Company, being a company in which a Director, Mr Peter Zardo, holds a Relevant Interest in 20% or more of the shares. The proposed issue of Consideration Shares falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Listing Rule 10.13.5 requires that Equity Securities issued in accordance with a Listing Rule 10.11 approval be issued within one month of such approval being granted. To that end, the Consideration Shares to be issued to Zilotech will be issued no later than one month after the Meeting.

4.2 Chapter 2E of the Corporations Act

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a Related Party of the public company, the public company or entity must:

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

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

The payment of the Consideration and the issue of the Consideration Shares, as contemplated by the Resolution, constitutes the giving a financial benefit for the purposes of the Corporations Act, to Zilotech and Mr Peter Zardo as Related Parties of the Company.

Accordingly, Shareholder approval is sought for the purposes of section 208 of the Corporations Act.

4.3 Required information – Listing Rules 10.5, 10.6 and 10.13

Pursuant to Listing Rules 10.5, 10.6 and 10.13, the following information is provided in respect of the Resolution:

- (a) the Kalotech Acquisition comprises the acquisition by the Company of 100% of Kalotech's issued capital comprising of 200,000,000 ordinary fully paid Kalotech Shares;
- (b) the Kalotech Shares being acquired under the Kalotech Acquisition are being acquired from Zilotech Holdings Pty Ltd, of which Peter Zardo, a Director, is a Related Party and Substantial Holder;
- (c) Peter Zardo, a Director, controls Agribusiness Management Pty Ltd, which has a 20% shareholding interest in Zilotech Holdings Pty Ltd – accordingly, Listing Rules 10.1.1 and 10.1.4 apply;
- (d) the number of Shares to be issued to Zilotech as consideration for the Kalotech Acquisition is 37,000,000 Shares which will be issued:
 - (i) as fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as Existing Shares;
 - (ii) at a deemed issue price of \$0.07 per Share, but no cash funds will be raised by the Company for the issue of the Consideration Shares;
 - (iii) in accordance with the terms of the Share Sale and Purchase Agreement, the material terms of which are set out in Section 2.4; and
 - (iv) at completion of the Kalotech Acquisition, on one date no more than one month after the date of the Meeting; the Kalotech Acquisition is anticipated to be completed on or about 2 September 2022 (refer to the timetable of Important Dates at page 1 of the Notice); and
- (e) the Notice:

- (i) includes a voting exclusion statement in respect of the Resolution whereby Zilotech, Mr Peter Zardo and their Associates are prohibited from voting on this Resolution; and
- (ii) is accompanied by the Independent Expert's Report which includes a finding that the Kalotech Acquisition is **fair and reasonable** to non-related Shareholders. The Independent Expert's Report accompanies this Explanatory Statement as Annexure A. The Independent Expert's Report will also be made available on the Company's website at www.zeotech.com.au/asx-announcements/.

4.4 Corporations Act information requirements

Section 219 of the Corporations Act requires that the following information be provided to Shareholders in relation to the Resolution for the purposes of obtaining approval under Section 208 of the Corporations Act:

(a) Names of the Related Parties

The Related Parties in respect of the Resolution are:

- (i) Mr Peter Zardo, a Director;
- (ii) Agribusiness Management Pty Ltd, a company controlled by Peter Zardo, being a shareholder of Zilotech holding 20% of the issued shares of Zilotech; and
- (iii) Zilotech, being a company in which a Director, Peter Zardo, has a Relevant Interest of 20%.

(b) Nature and value of the financial benefit

The nature of financial benefit that will be given to the Related Parties (or their nominees) of the Company if the Resolution is approved is the Consideration payable for the Kalotech Acquisition, the nature and value of which has been determined by the Independent Expert as comprising:

- (i) the Consideration Shares (value between a low of \$1,998,000 and a high of \$2,272,068); and
- (ii) the value of the reimbursement of costs incurred by Zilotech in relation to Kalotech's Mining Lease and EPMs (value of \$350,000).

The Consideration and the Consideration Shares have been determined by the Independent Expert to have the following values:

	Low	High
Value per Consideration Share on a quoted market price methodology	\$0.054	\$0.061
Total value of Consideration Shares on a quoted market price methodology	\$1,988,000	\$2,272,068
Total value of Consideration	\$2,348,000	\$2,622,068

Further information about the Independent Expert's assessment of the value of the Consideration and the Consideration Shares is contained in the Independent Expert's Report, particularly at section 9 of the Independent Expert's Report.

(c) Remuneration of Mr Peter Zardo

The table below sets out the total remuneration paid or payable to Mr Peter Zardo, for the last financial year and the proposed total remuneration for the current financial year, including superannuation entitlements.

Director	Financial year ended 30 June 2022	Financial year ended 30 June 2021
Peter Zardo	\$286,608 salary and super. \$540,000 share based payment	\$247,708 salary and super. \$840,000 share based payment

(d) **Security holdings of Related Parties**

The table below sets out the securities and rights in the Company in which Zilotech and Mr Peter Zardo have a direct or indirect interest at the date of the Notice.

Related Party	Shares		Options	Performance Rights
	Direct	Indirect		
Zilotech	Nil	Nil	Nil	Nil
Peter Zardo	28,380,000	15,000,000 ¹	20,000,000 ²	54,770,000 ³

Notes:

1. Held by Agribusiness Management Pty Ltd, trustee of Zardo superannuation fund.
2. Options exercise price \$0.015, expiring 6/4/2024.
3. Performance rights granted in various classes with various vesting conditions.

(e) **Voting interest and voting power of Zilotech and Mr Peter Zardo**

The table below sets out details of the respective voting interests of Zilotech and Mr Peter Zardo, including how these interests may change upon the events specified in the table occurring, based on a total of 1,524,915,470 Shares on issue as at the date of the Notice of Meeting.

Event	Shares received	Total Shares held after event	Voting power after event (rounded)
Zilotech			
Existing Shares held	Nil	Nil	Nil%
Issue of Consideration Shares	37,000,000	37,000,000	2.37%
Peter Zardo			
Existing Shares held	43,380,000	43,380,000	2.84%
Issue of Consideration Shares	Nil	43,380,000	2.78% ¹

Notes:

1. Although no Shares will be issued to Mr Peter Zardo directly as a result of the Kalotech Acquisition, because he has a Relevant Interest in 20% of the shares in Zilotech, Mr Zardo will be deemed to acquire voting power in the 37,000,000 Shares issued to Zilotech under the Kalotech Acquisition.

(f) **Dilution**

If the Resolution are approved a total of 37,000,000 Consideration Shares will be issued to Zilotech, diluting shareholding interests of existing Shareholders by approximately 2.37%.

(g) **Trading history**

The most recent available data concerning the price of the Company's Shares traded on ASX since 9 July 2021 (i.e. approximately 12 months before the Notice date) is summarised in the table below.

	High	Low	Last
Price	\$0.11	\$0.045	\$0.047
Date	16 November 2021 8 November 2021 29 October 2021 28 October 2021	7 July 2022 6 July 2022	7 July 2022

(h) **Funds raised**

The Company will not raise any funds from the issue of the Consideration Shares.

(i) **Directors' interests in the proposed resolution**

Mr Peter Zardo has a material personal interest in the outcome of the Resolution because he has a Relevant Interest in 20% of the shares in Zilotech, the party to be paid the Consideration and issued the Consideration Shares.

No other Director has an interest in the Kalotech Acquisition or the issue of the Consideration Shares.

(j) **Other information**

Other than as set out in this Explanatory Statement, the Directors do not consider there is any further information which the Shareholders would reasonably require in order to decide whether or not to approve the Resolution.

Glossary

In this Explanatory Statement, the following terms have the meaning set out below, unless the context otherwise requires:

AEST	Australian Eastern Standard Time, being the time in Canberra, Australian Capital Territory.
Associate	Has the meaning given in Part 1.2, Division 2 of the Corporations Act, and shall be applied: (a) in accordance with the note to Listing Rule 14.11; and (b) in respect of the disclosure required by ASIC Regulatory Guide 74.
ASIC	The Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691), or where the context requires, the financial market known as the Australian Securities Exchange which it runs.
Board	The Company's board of Directors.
Business Day	A day (other than a Saturday or a Sunday) on which banks in Perth, Western Australia are open for normal business.
Chairman or Chair	The Chairman of the Meeting.
Company	Zeotech Limited (ACN 137 984 297).
Company Secretary	The company secretary of the Company at the time of the Meeting.
Completion	Completion of the Kalotech Acquisition.
Completion Date	The date on which Completion occurs.
Consideration	The consideration payable by the Company to Zilotech for the Kalotech Acquisition, as described in Section 2.4(a).
Consideration Shares	37,000,000 Shares to be issued to Zilotech as consideration for the Kalotech Acquisition.
Constitution	The Constitution of the Company from time to time.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Director	A director of the Company.
Dollar, \$, A\$ or AUD	Australian dollars.
EPM	Exploration permit for minerals in Queensland granted under the Mineral Resources Act.
Equity Securities	Has the meaning given to that term in Listing Rule 19.12, and includes shares and options over issued or unissued shares.
Existing Shares	Shares held by Shareholders as at the date of this Notice.
Explanatory Statement	This explanatory statement which accompanies and forms part of the Notice of Meeting.
Glossary	This glossary of terms.
Independent Expert	Moore Australia Corporate Finance (WA) Pty Ltd, AFSL 240773.
Independent Expert's Report	The report prepared by the Independent Expert dated 25 July 2022 and accompanying the Notice of Meeting at Annexure A in which the Independent Expert comments on the fairness and reasonableness of the Kalotech Acquisition and the issue of the Consideration Shares under the Resolution to non-associated Shareholders.

JORC	The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) prepared by JORC.
Kalotech	Kalotech Pty Ltd (ACN 634 030 998).
Kalotech Acquisition or Proposed Transaction	The acquisition by the Company of 100% of the Kalotech Shares from Zilotech as described in Section 2 of the Explanatory Statement.
Kalotech Shares	Fully paid ordinary shares in Kalotech.
Listing Rules	The listing rules of ASX, as amended from time to time.
Meeting or General Meeting	The Meeting of Shareholders convened by this Notice of Meeting, or any meeting adjourned thereof.
Mining Lease or ML	Mining lease granted under the Mineral Resources Act.
Mineral Resource	Mineral resource within the meaning of the JORC Code.
Mineral Resources Act	<i>Mineral Resources Act</i> 1989 (Qld)
Mt	Million tonnes
Non-Associated Shareholders	The Shareholders who are not party to, or associated with a party to, the Kalotech Acquisition.
Notice of General Meeting, Notice of Meeting or Notice	This Notice of General Meeting which accompanies this Explanatory Statement.
Project or Toondoon Project	The mining lease and exploration permits held by Kalotech that comprise the Toondoon Kaolin Project located in southeast Queensland
Proxy Form	The Proxy Form accompanying this Notice of Meeting.
Related Party	Has the meaning given to that term in sections 9 and 228 of the Corporations Act, and includes a director of a company and an entity controlled by a director of the company.
Relevant Interest	Has the meaning given to that term in sections 608 and 609 of the Corporations Act, and includes an interest in shares in a company.
Resolution	A resolution set out in the Notice.
Schedule	A schedule of the Explanatory Statement.
Section	A section of the Explanatory Statement.
Securities	Has the meaning given to that term in section 92 of the Corporations Act.
Share Registry	The Company's Share Registry, Automic Pty Ltd.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A holder of Shares in the Company from time to time.
Share Sale and Purchase Agreement	The share sale and purchase agreement between the Company, Zilotech and Kalotech for the sale by Zilotech and purchase by the Company of 100% of the Kalotech Shares and containing the terms and conditions of the Kalotech Acquisition.
Substantial Asset	Has the meaning given in Listing Rule 10.2, and includes an asset the value of which is greater than 5% of the value of equity interests of Company as at the date of last financial statements of the Company provided to ASX.

WST	Australian Western Standard Time, being the time in Perth, Western Australia.
Zeotech	Zeotech Limited (ACN 137 984 297).
Zilotech	Zilotech Holdings Pty Ltd (ACN 651 923 205).

Annexure A – Independent Expert's Report



Zeotech Limited

Independent Expert's Report and Financial Services Guide

25 July 2022

**The Proposed Transaction is fair and reasonable to the
Non-Associated Shareholders of Zeotech Limited**

**Prepared by Moore Australia Corporate Finance (WA) Pty
Ltd. Australian Financial Services License No. 240773**



MOORE AUSTRALIA CORPORATE FINANCE (WA) PTY LTD
Australian Financial Services License No. 240773
FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to our Independent Expert's Report on the proposed acquisition of 100% of the ordinary share capital of Kalotech Pty Ltd ("Kalotech") from the Zilotech Holdings Pty Ltd in exchange for the issue of 37,000,000 ordinary shares in Zeotech Limited ("Zeotech") ("Proposed Transaction"). Our report has been prepared at the request of the Directors of Zeotech for inclusion in the Notice of Meeting to be dated on or about 15 July 2022.

Moore Australia Corporate Finance (WA) Pty Ltd

Moore Australia Corporate Finance (WA) Pty Ltd ("MACF") has been engaged by the directors of Zeotech to prepare an independent expert's report expressing our opinion as to whether or not the Proposed Transaction is "fair and reasonable" to the shareholders of Zeotech other than those associated with the Proposed Transaction.

MACF holds an Australian Financial Services Licence – Licence No 240773.

Financial Services Guide

As a result of our report being provided to you we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial Services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue a report in connection with the issue of securities of a company or other entities.

Our report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our report as a retail client because of your connection with the matters on which our report has been issued. We do not accept instructions from retail clients and do not receive remuneration from retail clients for financial services.

Our report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in this report.

General Financial Product Advice

Our report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives either financial or otherwise, your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the proposed transaction may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that we may receive

We will charge fees for providing our report. The basis on which our fees will be determined has been agreed with, and will be paid by, the person who engaged us to provide the report. Our fees have been agreed on either a fixed fee or time cost basis. We estimate that our fees for the preparation of this report will be approximately \$25,000 plus GST.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of MSPCS or related entities but any bonuses are not directly in connection with any assignment and in particular are not directly related to the engagement for which our report was provided.

Referrals

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

Associations and relationships

MACF is the licensed corporate advisory arm of Moore Australia Perth, Chartered Accountants. The directors of MACF may also be partners in Moore Australia Perth Chartered, Accountants.

Moore Australia, Chartered Accountants is comprised of a number of related entities that provide audit, accounting, tax, and financial advisory services to a wide range of clients.

MACF's contact details are set out on our letterhead.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, Moore Australia Corporate Finance (WA) Pty Ltd, PO Box 5785, St George's Terrace, Perth WA 6831.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Australian Financial Complaints Authority Limited ("AFCA"). AFCA is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. MACF is a member of AFCA. AFCA may be contacted directly via the details set out below.

Australian Financial Complaints Authority Limited

GPO Box 3
Melbourne VIC 3001
Toll free: 1800 931 678
Facsimile: 03 9613 6399
Email: info@afca.org.au

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25 July 2022

The Directors
Zeotech Limited
Level 27,
32 Turbot Street,
Brisbane QLD 4000

Dear Directors

Independent Expert's Report

1. INTRODUCTION

- 1.1 This Independent Expert's Report ("IER") has been prepared to accompany the Notice of Meeting ("Notice of Meeting") to be provided to shareholders for a General Meeting of Zeotech Limited ("Zeotech", "the Company" or "the Purchaser").
- 1.2 The Directors of Zeotech have engaged Moore Australia Corporate Finance (WA) Pty Ltd ("MACF") to prepare an Independent Expert's Report, being independent and qualified for purpose, to express an opinion as to whether or not the proposed acquisition of 100% of the ordinary share capital of Kalotech Pty Ltd ("Kalotech") by Zeotech via the issue of fully paid ordinary shares in Zeotech & reimbursement costs of up to \$350,000 in relation to the expenditures on the Exploration Licences and Mining Lease (the "Proposed Transaction"), is fair and reasonable to the Non-Associated Shareholders & Related Parties of Zeotech.
- 1.3 Our assessment of the Proposed Transaction relies on financial information provided by the Company and the Directors. We have not completed an audit or due diligence of the information which has been provided or of the entities which have been valued. We have however, performed a critical analysis of the information provided to us by querying any abnormal or unusual movements, as required by RG 111: Content of Experts Reports.
- 1.4 This report does not contain any accounting or taxation advice.
- 1.5 Further details of the Proposed Transaction are set out in Section 3 of our report.

2. SUMMARY AND OPINION

Purpose of the Report

- 2.1 Listing Rule 10.1 requires the approval of the Company's shareholders where it has proposed to acquire a "substantial asset" from:
- A related party, or an associate of a related party of the Company; or
 - A subsidiary, or an associate of a subsidiary of the Company; or
 - A substantial shareholder, or an associate of a substantial shareholder of the Company. A substantial shareholder is defined under ASX listing rules as a shareholder with a relevant interest at any time in the previous six months prior to the transaction, in at least 10% of the total votes attaches to the voting securities in the entity.
- 2.2 A substantial asset includes those with a value greater than 5% of the total equity interests of the entity at the date of the last set of financial statements provided to the ASX.
- 2.3 The Directors of Zeotech have engaged Moore Australia Corporate Finance (WA) Pty Ltd ("MACF") being independent and qualified for the purpose, to prepare an Independent Expert's Report to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the shareholders of Zeotech not associated with the Proposed Transaction (the "Non-Associated Shareholders").
- 2.4 Our assessment of the Proposed Transaction relies on financial information and instructions provided by the Company and the Directors. We have critically analysed the information provided to us, but we have not completed any audit or due diligence of the information which has been provided for the entities which have been valued. This report does not contain any accounting or taxation advice.

Approach

- 2.5 Our report has been prepared having regard to Australian Securities & Investments Commission ("ASIC") Regulatory Guide 111 Content of Expert's Reports ("RG 111") and Regulatory Guide 112 Independence of Expert's ("RG 112").
- 2.6 In arriving at our opinion, we have assessed the terms of the Proposed Transaction, as outlined in the body of our report, by considering the following:
- Compare the value of the assets being acquired, Toondoon, with the value of the consideration;
 - Advantages and disadvantages of approving the Proposed Transaction;
 - The likelihood of a superior alternative Proposed Transaction being available to Zeotech;
 - Other factors which we consider to be relevant to the shareholders of Zeotech in their assessment of the Proposed Transaction; and
 - The position of the shareholders of Zeotech should the Proposed Transaction not be successful.
- 2.7 Further information on the approach we have employed in assessing whether the Proposed Transaction is "fair and reasonable" is set out at Section 4 of this Report.

Opinion

- 2.8 We have considered the terms of the Proposed Transaction as outlined in the body of our report and have concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of Zeotech, as set out in Sections 11 and 12 of this Report.

Fairness

- 2.9 In Section 11 we determined the value of Zeotech's shares before the Proposed Transaction and the value of Zeotech's shares following the Proposed Transaction, as detailed below:

	Section	Low A\$	High A\$
Assessed Fair Value of the Consideration	9	\$2,348,000	\$2,622,068
Assessed Fair Value of the Assets Acquired	10	\$8,193,115	\$55,168,115

Source: Moore Australia Corporate Finance (WA) Pty Ltd analysis

- 2.10 The above assessment indicates that, in the absence of any other relevant information, the Proposed Transaction is fair to the Non-Associated Shareholders of Zeotech.

Reasonableness

- 2.11 RG 111 establishes that an offer is reasonable if it is fair. It may also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the Proposed Transaction in the absence of a higher bid before the Proposed Transaction closes. We have considered the analysis in Section 11 of this report, in terms of both;
- Advantages and disadvantages of the Proposed Transaction; and
 - Other considerations, including the position of the Non-Associated Shareholders of Zeotech if the Proposed Transaction is not successful.
- 2.12 In our opinion, if the Proposed Transaction is successful, the position of the Non-Associated Shareholders of Zeotech is more advantageous than their position if the Proposed Transaction was not successful. Accordingly, in the absence of a superior Proposed Transaction, and any other relevant information, we believe that the Proposed Transaction is reasonable for Non-Associated Shareholders of Zeotech.
- 2.13 The advantages and disadvantages considered are summarised below:

Advantages

- The Proposed Transaction is fair.
- Zeotech will own all of the share capital in Kalotech Pty Ltd.
- Zeotech will own two exploration licences and a mining lease within the Toondoon Kaolin project which is almost development ready and could provide future cash flows.
- Diversification of operations

Disadvantages

- There would be a reduction in the control of the current shareholders.
- There could be a loss of focus by Zeotech as it works on a number of different projects.
- If Zeotech intends to develop the Toondoon project, it will be required to finance at least \$8 million in development capex.
- The company is increasing its exposure to kaolin.

3. SUMMARY OF THE PROPOSED TRANSACTION

- 3.1 Under the Proposed Transaction, Zeotech is proposing to acquire 100% of the issued share capital of Kalotech. On completion of the Proposed Transaction Kalotech will become a wholly owned subsidiary of Zeotech.
- 3.2 The key terms of the Consideration payable are as follows:
- Zeotech will acquire 100% of the issued capital of Kalotech;
 - Zeotech will issue the Kalotech vendors 37,000,000 fully paid ordinary shares in Zeotech ("Consideration shares"); and
 - Zeotech will reimburse costs of up to \$350,000 to the Kalotech vendors in relation to the Exploration Licences and Mining Lease held by Kalotech.

Key conditions of the Proposed Transaction

- 3.3 The Proposed Transaction is subject to various conditions, the most significant being:
- Zeotech completing due diligence to its absolute satisfaction of all legal, financial and technical aspects of Toondoon deposit, the Mining Lease, EPM 27395, EPM 27866 and associated reports and agreements as well as full corporate due diligence of Kalotech by the date being 90 days from the date of this Term Sheet and notifying the Seller in writing of the results of this due diligence (This condition has been satisfied);
 - Kalotech completing the sale and purchase of the Mining Lease as contemplated in the contract annexed to the Option Agreement as Schedule 2 and providing Zeotech with copies of the completed sale documentation (This condition has been satisfied);
 - Zeotech receiving written confirmation from the ASX that ASX Listing Rule 11.1.2 does not apply to the Proposed Transaction (This condition has been satisfied);
 - Zeotech obtaining all shareholder approvals required under ASX Listing Rules 10.1 and 10.11, Chapter 2E of the Corporations Act or any other approvals required by the ASX in relation to the Proposed Transaction as soon as in practicable after satisfaction of condition precedent 6;
 - The Seller providing written substantiation of all expenses incurred by Kalotech and which is to be reimbursed as Cost Reimbursement; and
 - Written approval from Queensland Department of Resources for the transfer of the Mining Lease from the current registered holder to Kalotech being granted and the change in title being registered (This condition has been satisfied).

Rationale for the Proposed Transaction

- 3.4 Completion of the Proposed Transaction will provide Zeotech with access to a mining lease and exploration licences within the Toondoon Kaolin Project.
- 3.5 Refer also to our analysis of advantages of the Proposed Transaction set out in Section 12.

Impact of Proposed Transaction on Zeotech's Capital Structure

- 3.6 The tables below sets out a summary of the securities of Zeotech, prior to, and immediately post completion of the Proposed Transaction.

Securities	Prior to Acquisition	Effect of Acquisition	Total	% Change
Shares	1,524,915,470	37,000,000	1,561,915,470	2.43%

4. SCOPE OF THE REPORT

Regulatory guidance

- 4.1 The Listing Rules do not define the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

Adopted basis of evaluation

- 4.2 RG 111 provides guidance that a transaction is fair if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 4.3 Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for Non-Associated Shareholders to accept the Proposed Transaction in the absence of any higher bid.
- 4.4 Having regard to the above, MACF has completed this comparison in two parts:
- A comparison between the value of the consideration and the value of the Toondoon project acquired; and
 - An investigation into other significant factors to which Non-Associated Shareholders might give consideration, prior to accepting the Proposed Transaction, after reference to the value derived above (reasonableness – see Section 11 - Assessment of Reasonableness).

5. INDUSTRY ANALYSIS

- 5.1 Kaolinite is an industrial mineral, with the term kaolin used to describe a group of relatively common clay minerals. It is a soft, earthy, predominantly white material.
- 5.2 Kaolin is a fine white clay that does not expand greatly in water, primarily used as a filler or a pigment. Kaolin and other related clays are used in the manufacture of speciality paper and ceramics, as well as providing the white pigment for many other products including paint, rubber, and fibreglass.
- 5.3 Kaolin is emerging as a cost effective and environmentally friendly source of alumina and can be applied as feedstock in the production of High Purity Alumina (HPA) and commercially versatile manufactured zeolites.
- 5.4 Zeolites can play an important role in a cleaner and safer environment, substituting banned substances worldwide, decreasing energy consumption, and reducing the need for more corrosive liquid acids.
- 5.5 The conversion of Kaolin into HPA is the key driver that could see the clay increase in demand world wide, as HPA at high purity has a variety of uses in high tech applications, including coatings used in lithium-ion batteries to improve the thermal performance safety.
- 5.6 The competition among the Kaolin industry is primarily based on price and quality, with the measure of quality factored by brightness and particle fineness.

Outlook

- 5.7 The global value of kaolin production in 2027 is estimated at a total of USD\$6.3 billion, at an average price of USD\$168/t.
- 5.8 Due to the high freight cost from Australian mines to port and international shipping costs, Australian projects are aiming at the international high quality, high-price section of the global market with a focus on the Asia Pacific region.
- 5.9 International trade in the Clay Mining industry is projected to remain negligible over the next five years into 2025-26. With the industry's performance continuing to be heavily influenced by the demand from construction services and construction spending over the next five years.¹

6. PROFILE OF ZEOTECH LIMITED

Background

- 6.1 Zeotech is a Queensland headquartered company with its operations focused in Australia. They hold proprietary mineral processing technology developed at The University of Queensland, for the low-cost production of advanced materials 'synthetic zeolites' and aims to utilise their unique properties for sustainable future production.
- 6.2 Their strategy is to focus on the manufacture of low-cost molecular sieve synthetic zeolites for global markets. The company is developing innovative environmental management solutions, which include cleantech for lithium refineries to commercially manage by-product residue and developing economically viable carbon capture and conversion solutions, underpinned by low-cost 'adsorbents and catalysts' manufactured using Zeotech's patent-pending technology.
- 6.3 Zeotech is currently the holder of four exploration licences. The Abercorn Project is a large-scale kaolin prospect, located in central Queensland and has demonstrated significant scale and a consistent grade of kaolinite mineralisation.

¹ IBIS World, Rock, Limestone and Clay Mining in Australia, December 2021.

Group Structure

6.4 At the date of this report Zeotech has several subsidiaries listed in the table below:

Name	Country of Incorporation	Class of Shares	Equity Holdings	
			2021	2020
Abercorn Kaolin Pty Ltd	Australia	Ordinary	100%	0%
Kraaipan Founders Pty Ltd	Australia	Ordinary	100%	100%
Kraaipan Founders (UK) Pty Ltd	UK	Ordinary	100%	100%
KFPL (UK) Pty Ltd	UK	Ordinary	100%	100%
South East Metals (Pty) Ltd	Botswana	Ordinary	100%	100%
Laconia South America Pty Ltd	Australia	Ordinary	100%	100%
Gold Mines of Peru SAC	Peru	Ordinary	100%	100%
Minera Peru Gold SAC	Peru	Ordinary	100%	100%
Compania Minera Sucre SA	Peru	Ordinary	100%	100%

Board of Directors

6.5 Zeotech have the following as directors:

Name	Title	Experience
Sylvia Tulloch	Non-Executive Chairman	Sylvia is a materials scientist, with many years of experience in establishment and management of high technology businesses, with a focus on commercialisation, mineral processing technologies and cleantech sector. Holds a Bachelor of Science and Masters in Materials Science from the University of New South Wales and is an investor in and Director of many start-up companies, has founded and taken 2 companies to ASX listing and held government advisory positions in the start-up, renewable energy, and manufacturing sectors. She is also currently Chairman of Griffin Accelerator Holdings – ACT's only start-up business accelerator program and is on the board of The Canberra Innovation Network.
Peter Zardo	Managing Director	Peter joined Zeotech as Chief Operating Officer on 7 April 2020 and was appointed Managing Director on 8 July 2020, after spending more than 16 years in the corporate and business banking division of the Westpac Group. Prior to joining Zeotech, Peter was a Director of Industry banking, having completed Westpac's Emerging Leader Program in 2019 and previous to this, spent several years in financial and equity markets. He has undertaken studies in Applied Science at Charles Sturt University and Circular Economy / Sustainability at Cambridge Judge Business School. Peter is a member of the Australian Institute of Company Directors and possesses significant experience in business advisory, project management and corporate finance, having accumulated a vast network of relationships across a number of industries, bringing these connections and expertise to his role.
Robert Downey	Non-Executive Director	Mr Downey is a qualified solicitor who has practised mainly in the areas of international resources law, corporate law, initial public offerings and mergers and acquisitions. He has extensive experience as an adviser, founder and director of various ASX, TSX and AIM companies. Mr Downey is currently a partner at Dominion Legal, a boutique law firm in Perth. Mr Downey became Non-Executive Chairman on 18 October 2016, resigning as Chairman on 7 April 2020 but assuming the role of Non-Executive Director. He is currently a director of Connexion Telematics Ltd, Reach Resources Limited and Mt Malcolm Mines NL.
Neville Bassett	Company Secretary	Mr Bassett was appointed Company Secretary on 7 May 2015. Mr Bassett is a chartered accountant operating his own corporate consulting business, specialising in the area of corporate, financial and management advisory services. Mr Bassett has been involved with

numerous public company listings and capital raisings. His involvement in the corporate arena includes mergers and acquisitions. Mr Bassett has experience in matters pertaining to the Corporations Act, ASX listing requirements, corporate taxation, and finance.

Historical Financial Information

Financial Position

- 6.6 The information below provides a summary of the financial position of Zeotech as at 30 June 2020, 2021, and 31 December 2021. The financial information has been derived from the consolidated financial statements of Zeotech for the years then ended.

Statement of Financial Position		Consolidated 31-Dec-21	Consolidated 30-Jun-21	Consolidated 30-Jun-20
	Ref	A\$	A\$	A\$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	i	4,257,708	5,853,795	1,566,656
Trade and other receivables		741,995	65,679	86,522
Financial Assets		140,000	-	-
TOTAL CURRENT ASSETS		5,139,703	5,919,474	1,653,178
NON-CURRENT ASSETS				
Plant and equipment		56,880	9,753	10,180
Exploration and evaluation costs	ii	4,267,216	4,267,216	4,267,216
Intangible assets	iii	1,426,610	1,318,778	761,290
TOTAL NON-CURRENT ASSETS		5,70,706	5,595,747	5,038,686
TOTAL ASSETS		10,890,409	11,515,221	6,691,864
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	iv	196,197	159,876	214,773
TOTAL CURRENT LIABILITIES		196,197	159,876	214,773
TOTAL LIABILITIES		196,197	159,876	214,773
NET ASSETS		10,694,212	11,355,345	6,477,091
EQUITY				
Issued capital	v	35,579,733	35,589,258	27,727,506
Reserves	vi	2,723,587	1,155,668	1,219,333
Accumulated losses		(27,609,108)	(25,389,581)	(22,469,748)
TOTAL EQUITY		10,694,212	11,355,345	6,477,091

Commentary on financial position

- 6.7 We note the following in relation to the financial position of Zeotech:
- Cash and cash equivalents: related to the cash at bank, earning interest at floating rates on daily bank deposit rates. Large increase from 2020 to 2021 due to total proceeds greater than \$7m through the issue of ordinary shares. Despite over \$2m spent in operating activities.
 - Exploration and evaluation costs: relates to the mining properties held by Zeotech, no additions or write offs in 2021.
 - Intangible assets: additions made through 2021, relating to the synthetic zeolite mineral processing technology, arrangement made with The University of Queensland.
 - Trade and other payables: carrying value assumed to approximate their fair value, usually paid within 60 days of recognition.

- v. Issued capital: over 300,000,000 shares were issued in 2021, adding approximately \$7m worth of capital.
- vi. Reserves: include share-based payments and option reserve, acquisition reserve, and foreign currency translation reserve.

Financial Performance

- 6.8 The table below sets out a summary of the financial performance of Zeotech for the years ended 30 June 2020 and 2021 and the six months ended 31 December 2021. The financial information has been extracted from the consolidated financial statements of the Company for the years then ended.

Statement of Financial Performance	Ref	Consolidated 31-Dec-21 A\$	Consolidated FY21 A\$	Consolidated FY20 A\$
Revenue	<i>i</i>	641,646	178,286	260
Expenses				
Depreciation expense		(4,821)	(5,154)	(5,946)
Employee benefits expense		(369,172)	(496,192)	(217,584)
Exploration expenses		(40,377)	(172,416)	(1,759,776)
Administration expenses		(275,011)	(352,994)	(360,911)
Technology expenses	<i>ii</i>	(603,292)	(1,231,363)	(291,438)
Other expenses		-	-	(1,650)
Share based payments expense	<i>iii</i>	(1,568,500)	(840,000)	(120,000)
Loss before income tax		(2,219,517)	(2,919,833)	(2,757,045)
Income tax benefit/(expense)		-	-	-
Loss for the year		(2,219,517)	(2,919,833)	(2,757,045)
Other Comprehensive Income				
Foreign exchange loss on translation of foreign operations		(581)	(3,665)	(23,724)
Total comprehensive loss for the year attributable to members of Zeotech Limited		(2,220,108)	(2,923,498)	(2,780,769)

Commentary on financial performance

- 6.9 We note the following in relation to the financial performance of Zeotech:
- i. Revenue: \$4,502 is interest income, with the remainder being grouped into continuing operations, "other income".
 - ii. Technology expenses: includes \$500,000 assignment fee to The University of Queensland, and an additional \$600,000 for a success milestone.
 - iii. Share based payments expense: the fair value per share was \$0.042 each on the date of issue, totalling a value of \$840,000 and \$1,568,500 as at 30 June and 31 December 2021 respectively.

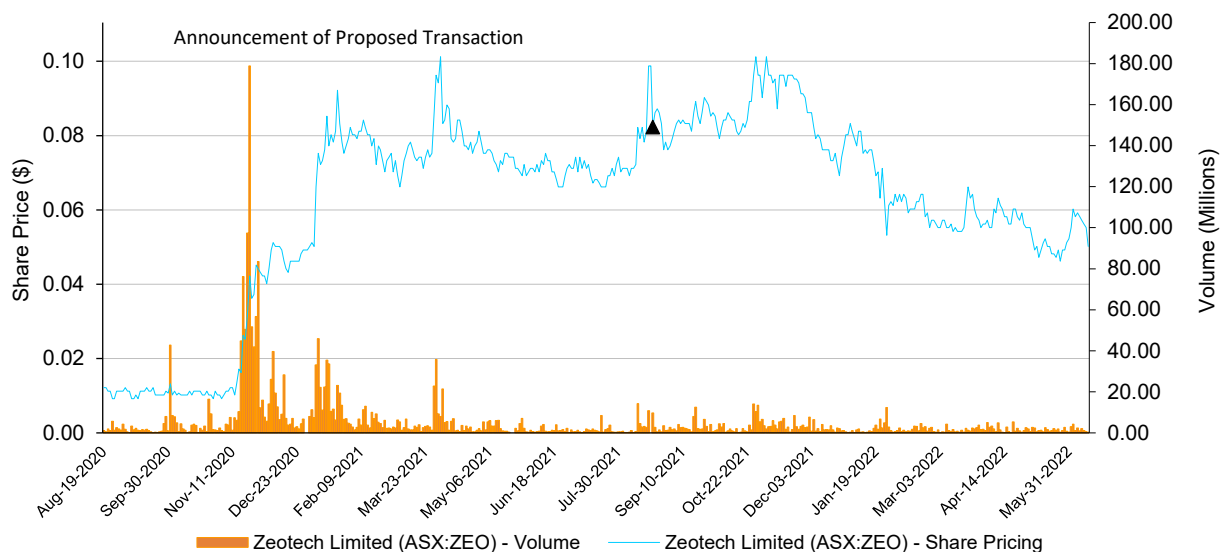
Capital Structure

6.10 As at the 30 June 2021 Zeotech had 1,485,915,470 ordinary shares on issue. Details of the top 10 shareholders as at 30 June 2021 are as follows:

	Shareholder	No of Ordinary Shares (pre consolidation)	% of total
1	LL&P Pty Ltd <The Andrew Solomons S/F A/C >	97,868,795	6.42%
2	Goody Investments Pty Ltd <Goody Family A/C>	93,301,000	6.12%
3	Uniquet Pty Ltd	92,307,692	6.05%
4	CS Third Nominees Pty Ltd <HSBC Cust Nom Au Ltd 11 A/C>	66,972,720	4.39%
5	Mr Anthony Paul Sheridan	55,614,641	3.65%
6	Dontoro Pty Ltd <The Mollica Family A/C>	49,000,000	3.21%
7	Whitcombe Super Investments Pty Ltd <Whitcombe Super Fund A/C>	44,561,184	2.92%
8	Mr Anthony Poloni	39,000,000	2.56%
9	Echelon Super Pty Ltd <Echelon Super Fund A/C>	38,500,000	2.52%
10	Faraday Nominees Pty Ltd <Bronte Investment A/C>	33,000,000	2.16%

Share Price Performance

6.11 The figures below sets out a summary of the Zeotech closing share price and volume of Zeotech Shares traded from August 2020 to June 14 2022.



Source: S&P Capital IQ

6.12 Over the period, Zeotech shares have traded at a high of \$0.103 in April 2021 and a low of \$0.013 in September 2020. Trading volumes prior to 27 November 2020 were low and infrequent.

6.13 We have considered the volume weighted average price ("VWAP") of Zeotech Shares over a range of periods ending 14 June 2022. An analysis of the trading volume of Zeotech Shares for 1, 5, 10, 30, 60 and 90 trading day periods prior to 14 June 2022 is set out in the table below:

Traded volumes of Zeotech Shares to 14 June 2022

	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day
VWAP \$	0.054	0.060	0.061	0.057	0.060	0.061
Total Volume	336,279	5,235,178	16,472,883	46,736,040	103,336,112	149,625,226
Total Volume as % of Total Shares	0.02%	0.34%	1.08%	3.06%	6.78%	9.81%
Low Price \$	0.054	0.054	0.054	0.050	0.050	0.050
High Price \$	0.054	0.062	0.064	0.064	0.070	0.070

Source: S&P Capital IQ, Moore Australia analysis

- 6.14 The table above shows the current VWAP of Zeotech shares. 9.81% of the Company's shares were traded in the 90 trading days prior to 14 June 2022. This is indicative of a liquid stock.

7. PROFILE OF KALOTECH PTY LTD

Projects

- 7.1 Kalotech exercised the option to acquire a Mining Lease and two Exploration Permits for minerals on the Toondoon Kaolin Project based in Southeast Queensland.
- 7.2 The project consists of one granted Mining Lease and two Exploration Permits covering an area of approximately 280 km². Kaolin was discovered in the Toondoon Project in 2012, to date there has been little exploration undertaking on the two Exploration Permits surrounding the Mining Lease.
- 7.3 The geological settings, weathering profile, clay horizon interpretation developed for the Toondoon project is reasonable and defensible, with a defined Mineral Resource. However, any significant rainfall events may cause disruption to the mining operations and solar drying of the product.
- 7.4 The project is open in all directions which offers an opportunity to expand the resource base within the Mining Lease and surrounding EPMs.
- 7.5 The profitability of the Toondoon operation will be reliant and sensitive to the price of Kaolin, benefitting from any long-term sustained higher prices.
- 7.6 The tenements within the project have minor overlapping of Environmentally Sensitive Areas and Protected Plant trigger areas that may impact any future exploration.

Group Structure

- 7.7 Kalotech Pty Ltd is the subsidiary of Zilotech Holdings Pty Ltd.

Historical Financial Information

Financial Position

- 7.8 The information below provides a summary of the financial position of Kalotech as at 30 June 2021 and 31 March 2022. The financial information has been derived from the management accounts of Kalotech for the periods then ended.

Statement of Financial Position	Ref	Consolidated 31-Mar-22 A\$	Consolidated 30-Jun-21 A\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		35,346	670,371
GST		46,927	3,346
Sundry Debtors		-	4,908
TOTAL CURRENT ASSETS		82,273	678,625
NON-CURRENT ASSETS			
Intangible Assets		539,842	221,660
TOTAL NON-CURRENT ASSETS		539,842	221,660
TOTAL ASSETS		622,115	900,285
LIABILITIES			
NON-CURRENT LIABILITIES			
Loan – Zilotech Holdings		154,000	-
TOTAL NON-CURRENT LIABILITIES		154,000	0
TOTAL LIABILITIES		154,000	0
NET ASSETS		468,115	900,285
EQUITY			
Retained Earnings		(739,886)	(307,715)
Share Capital		1,208,000	1,208,000
TOTAL EQUITY		468,114	900,285

Financial Performance

- 7.9 The table below sets out a summary of the financial performance of Kalotech for the nine months ended 31 March 2022 and year ended 30 June 2021. The financial information has been extracted from the management accounts of the Company.

Statement of Financial Performance	Ref	Consolidated 9 mths to March 22 A\$	Consolidated FY21 A\$
Revenue		0	0
Expenses			
Travel & Accommodation		(9,780)	(11,995)
Accounting		(12,218)	(3,618)
Assay Exp.		(69,382)	(70,673)
Bank Fees		(1)	(3)
Drilling Exp.		(120,658)	(39,715)
Earthmoving Exp.		(19,320)	(12,900)
Equipment < \$1,000		(3,564)	(227)
Equipment Hire		-	(15,342)
Fees & Permits		(50,560)	(6,568)
Filing Fees		-	(690)
General Expenses		(26,608)	-
GEO Consulting		(57,827)	(45,628)
Insurance		(2,392)	-
Lab Expenses		-	(193)
Legal Expenses		(52,817)	-
Printing & Stationery		-	(381)
Storage		(2,970)	(650)
Tenement Fees		(4,075)	(20,854)
Total Expenses		(432,172)	(229,437)
Loss before income tax		(432,172)	(229,437)
Income tax benefit/(expense)		-	-
Loss for the year		(432,172)	(229,437)

8. VALUATION APPROACH

Definition of Value

- 8.1 RG 111 guides that a transaction is fair if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Valuation Approach Adopted

- 8.2 There are a number of methodologies which can be used to value a company. The principal methodologies which can be used are as follows:
- Capitalisation of maintainable earnings ('CME');
 - Discounted cash flow ('DCF');
 - Quoted market price basis ('QMP');
 - Net asset value ('NAV'); and
 - Market approach method ('Comparable market Transaction').
- 8.3 A summary of each of these methodologies is outlined in Appendix B.

Value of "Consideration"

- 8.4 In our assessment of Zeotech shares being issued to the Kalotech vendors, we have chosen to employ the quoted market price methodology. We have assessed the liquidity of a Zeotech share and have determined that the quoted market price reflects a deep and liquid market and is the most relevant measure of value when considering a minority interest value for a small parcel of Zeotech shares. This is because the quoted market price reflects a minority interest value of a Zeotech share and a readily tradable value of a Zeotech share.
- 8.5 We are of the opinion that no other methodology included within Appendix B would be relevant in calculating the share price and consideration included in the Proposed Transaction. This is due to the technology involved is within the early stages, resulting in the share price to be considerably undervalued.

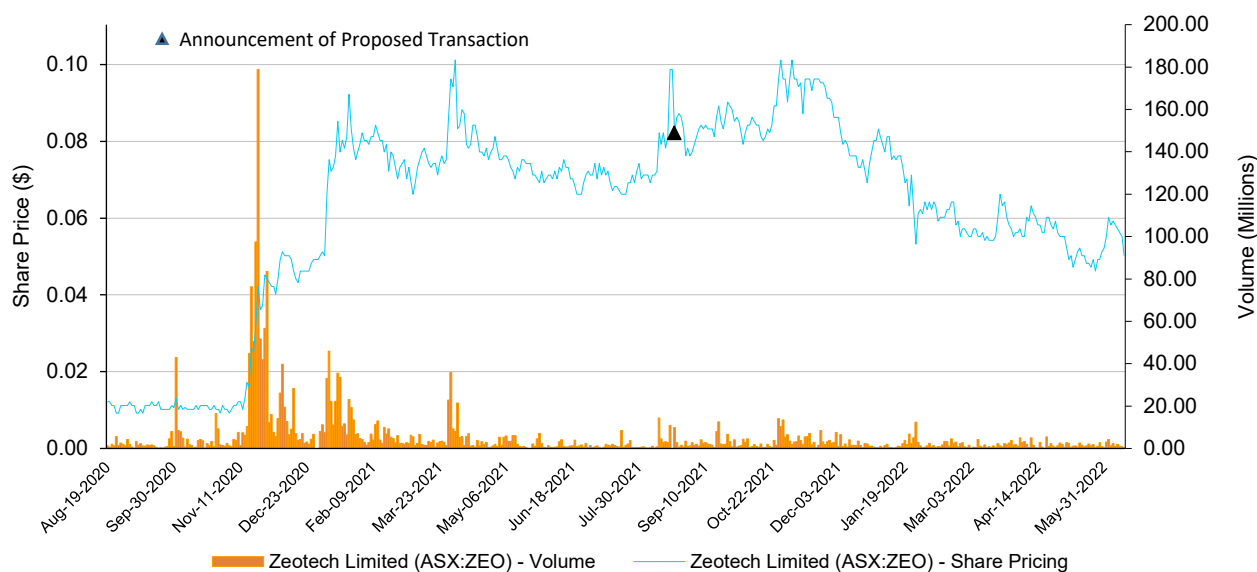
Value of Kalotech Acquired

- 8.6 In assessing the value of Kalotech, we have adopted the Net Asset Valuation methodology. We have instructed Derisk to act as independent specialist and provide an independent market valuation of the Company's projects. All other minor assets and liabilities included in the net assets of Kalotech have been valued at book value. We have attached the Derisk report at Appendix D.

9. VALUATION OF CONSIDERATION

Quoted Market Price Valuation of Zeotech

- 9.1 As stated in Section 8, we have employed the Quoted Market Price (“QMP”) valuation methodology of Zeotech Shares prior to the announcement of the Proposed Transaction.
- 9.2 The figure below sets out a summary of Zeotech’s closing share price and volume of Zeotech shares traded for the twelve months to the last trading day prior to the announcement of the Proposed Transaction continued to June 2022. We note that there was no announcement to cause such a material impact on the share price and volume on 17 November 2020. However, there was a substantial change in shareholdings of Davanna Pty Ltd, an existing shareholder. As at 5 January 2021 the Company filed a Follow-on Equity Offering which was completed a few days later on 8 January 2021, which had a material impact on the share price from \$0.054 to \$0.07. The share price peaked at \$0.105 in April 2021, with a low of \$0.013 in September 2020.



- 9.3 Since the announcement of the Proposed Transaction, the share price has decreased from \$0.103 as at 19 August 2021 to \$0.051 as at 14 June 2022.
- 9.4 We have considered the volume weighted average price (“VWAP”) of Zeotech Shares over a range of periods ending 14 June 2022, the most recent data available. An analysis of the trading volume of Zeotech Shares for 1, 5, 10, 30, 60 and 90 trading day periods prior to 14 June 2022 is set out in the table below:

Traded volumes of Zeotech Shares to 14 June 2022

	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day
VWAP \$	0.054	0.060	0.061	0.057	0.060	0.061
Total Volume	336,279	5,235,178	16,472,883	46,736,040	103,336,112	149,625,226
Total Volume as % of Total Shares	0.02%	0.34%	1.08%	3.06%	6.78%	9.81%
Low Price \$	0.054	0.054	0.054	0.050	0.050	0.050
High Price \$	0.054	0.062	0.064	0.064	0.070	0.070

Source: S&P Capital IQ, Moore Australia analysis

- 9.5 The table above shows the current VWAP of Zeotech shares. We note that 9.81% of the Company’s shares were traded in the 90 trading days prior to 14 June 2022.
- 9.6 We note that to rely on the quoted market price for the valuation of Zeotech there is a requirement for the security to trade in a ‘deep’ market. RG111.69 indicates that a ‘deep’ market should reflect a liquid and active market.

9.7 Characteristics synonymous with a deep market are:

- Regular trading in the company's securities;
- An average of 1% of a company's securities traded on a weekly basis;
- Non-significant spread of the stock between the bid and ask;
- A significant spread of ownership of the securities (i.e the top 10 shareholders do not control more than 50% of the company); and
- There are not regular unexplained movements in the share price.

9.8 For a security to be considered 'liquid' it should meet most of the above characteristics. Although if it does fail to meet all of the above characteristics it does not automatically characterise the share price trading as irrelevant for valuation purposes, rather it means that it should not purely be relied upon and should be considered within this context.

9.9 We note that, in the case of Zeotech, we consider there to be a liquid market for the Company's shares, as the Company meets most of the criteria above and there is no other evidence to support a Zeotech share is not liquid, as such we consider Zeotech shares to be liquid. We consider a range of values between \$0.054 to \$0.61 (the range of values between 1- and 30-day VWAP) is a reasonable reflection of the quoted market price valuation of a Zeotech share on a minority interest basis.

9.10 Typically, when considering the quoted market price methodology, we would only consider share trading prior to the announcement of the Proposed Transaction. However, We have considered the most recent share values because the Proposed Transaction was announced almost 12 months ago and we consider the overall market has changed considerably in that time. Also, in our opinion, any impact of the announcement of the Proposed Transaction on the share price of Zeotech is immaterial to our opinion and unlikely to be significant given the nature of the transaction.

Valuation conclusion for Consideration of Proposed Transaction

9.11 Our assessed values of a Zeotech share on a minority interest basis is summarised in the table below.

	Ref	Low \$	High \$
Assessed fair value of a Zeotech share using the Quoted Market Price methodology	9.9	0.054	0.061

9.12 We have summarised the total consideration for the Proposed Transaction below, with a low of \$2,348,000 and a high of \$2,622,068.

Consideration	Ref	A\$ Low	A\$ High
Quoted Market Price	9.9	0.054	0.061
Number Shares	3.2	37,000,000	37,000,000
Reimbursement	3.2	\$350,000	\$350,000
Total ((QMP x No of Shares) + Reimbursement)		\$2,348,000	\$2,622,068

10. VALUATION OF KALOTECH

10.1 As stated in Section 8, we have assessed the value of Kalotech using the Net Asset Valuation methodology

10.2 A summary of the Kalotech Financial statement as at 31 March 2022 is set out in the table below:

	<i>Ref</i>	Low	Preferred	High
Assets	7.8	622,115	622,115	622,115
Liabilities	7.8	154,000	154,000	154,000
Net Assets		468,115	468,115	468,115
Toondoon Project	10.3	7,725,000	31,250,000	54,700,000
Net Asset Value		8,193,115	31,718,115	55,168,115

10.3 We have added the value of the Toondoon project to the net asset valuation of Kalotech, with Derisk valuing the project between \$7.7m and \$54.7m with a preferred value of \$31.3m.

10.4 They have weighted the valuation on an income-based approach and a market-based approach as displayed within their report. The Derisk report can be found at Appendix D.

10.5 The final value of Kalotech, including the Toondoon Project, acquired by Zeotech is displayed in the table below, within the range of \$8m to \$55m, with a preferred value of \$32m.

Kalotech	<i>Ref</i>	Low	Preferred	High
Net Asset Valuation	10.2	8,193,115	31,718,115	55,168,115

11. IS THE PROPOSED TRANSACTION FAIR TO ZEOTECH SHAREHOLDERS?

- 11.1 Our assessed values of the Consideration and Acquired Assets are summarised in the table and figure below.

Assessed Values of the Proposed Transaction

	Section	Low A\$	High A\$
Assessed Fair Value of the Consideration	9	\$2,348,000	\$2,622,068
Assessed Fair Value of the Assets Acquired	10	\$8,193,000	\$55,168,000

Source: MACF analysis

- 11.2 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with Section 10.1 of the ASX Listing Rules, we consider the Proposed Transaction to be fair to the Non-Associated Shareholders of Zeotech as the value of the Consideration paid by Zeotech is less than the value of Kalotech.

12. IS THE PROPOSED TRANSACTION REASONABLE?

12.1 RG111 establishes that a Proposed Transaction is reasonable if it is fair. If a Proposed Transaction is not fair it may still be reasonable after considering the specific circumstances applicable to it. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of Zeotech if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders of Zeotech as a consequence of the Proposed Transaction proceeding.

Future prospects of Zeotech if the Proposed Transaction do not proceed

12.2 If the Proposed Transaction does not proceed then Zeotech will continue operations as usual and focus on its current projects.

Advantages and disadvantages

12.3 In assessing whether the Non-Associated Shareholders of Zeotech are likely to be better off if the Proposed Transaction proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

12.4 Advantage 1 – The Proposed Transaction is fair

RG111 states that a transaction is reasonable if it is fair. We have found the Proposed Transaction to be fair to the Non-Associated Shareholders.

12.5 Advantage 2 – Near development ready project

Through the event of accepting the Proposed Transaction, Zeotech will be acquiring the Toondoon project which has promising development potential and could provide an opportunity of cash flow early than Zeotech's current projects.

12.6 Advantage 3 – Diversification of exploration projects

The Proposed Transaction diversifies the current portfolio of assets held by Zeotech. This has a benefit because the Company can spread the risk of successful exploration and development across a number of projects.

Disadvantages of approving the Proposed Transaction

12.7 Disadvantage 1 – Dilution of Shareholdings of Non-Associated Shareholders

In the event the Proposed Transaction is successful, the issue of new shares to the Vendors of Kalotech will have a dilutive effect on the voting interest of the Non-Associated Shareholders of Zeotech. Immediately following the completion of the Proposed Transaction, the combined voting power of the existing Zeotech Non-Associated Shareholders will decrease from a 100% interest (prior to subsequent events) to 97.6% immediately following the Proposed Transaction.

12.8 Disadvantage 2 – Loss of Focus

There is the potential that the Company could lose focus on its current operations as it manages multiple projects. Acquiring a near production project is likely to absorb management time and will also require an allocation of cash reserves. This could come at the detriment of other projects.

12.9 Disadvantage 3 – Geographical Diversification

Zeotech's current projects and the Toondoon project are significantly geographically apart from one another. There is likely to be additional cost in managing the Toondoon project.

12.10 Disadvantage 4 – Initial Capital Expenditure Requirements

Derisk estimates an initial capital expenditure requirement of \$8 million to commence development of the Toondoon project. This will require Zeotech to raise additional funds in the future. We are of

the opinion that Zeotech has the capacity to raise these funds because any capital required is not a significant amount when compared to Zeotech's share price. However, any future capital raise will result in additional dilution to Non-Associated Shareholders.

12.11 Disadvantage 5 – Increased Exposure to Kaolin

In the event that the Proposed Transaction is successful, Zeotech will increase its exposure to kaolin operations, with limited exposure to alternative commodities. As such, the share price performance of Zeotech will be heavily reliant on the market price of kaolin.

Alternative Proposal

12.12 We are not aware of any alternative proposal that is being considered or has been presented by Zeotech at the current time which might provide a greater benefit than the Proposed Transaction.

Conclusion on Reasonableness

12.13 In our opinion, the position of the Non-Associated Shareholders of Zeotech if the Proposed Transaction is approved is more advantageous than the position if it is not approved. We are of this reason because it provides Zeotech with a near development opportunity.

12.14 If the transaction was not to proceed, there would be limited opportunities for Zeotech to expand their kaolin operations, with potential further dilution through a capital raise if they were to seek to develop their current operations.

12.15 Therefore, in the absence of any other relevant information and/or a superior Proposed Transaction, we consider that the Proposed Transaction is reasonable for the Non-Associated Shareholders of Zeotech.

12.16 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

13. INDEPENDENCE

13.1 Moore Australia Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$25,000, excluding GST and reimbursement of out of pocket expenses. Except for this fee Moore Australia Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

13.2 Neither Moore Australia, a related entity of Moore Australia Corporate Finance (WA) Pty Ltd, nor Moore Australia Corporate Finance (WA) Pty Ltd, has previously provided any services to either Zeotech or Kalotech.

13.3 Prior to accepting this engagement Moore Australia Corporate Finance (WA) Pty Ltd has considered its independence with respect to Zeotech and Kalotech and any of their respective associates with reference to RG 112, Independence of Expert's Reports. It is the opinion of Moore Australia Corporate Finance (WA) Pty Ltd that it is independent of both Zeotech and Kalotech and their respective associates.

13.4 Moore Australia Corporate Finance (WA) Pty Ltd and Moore Australia have not had at the date of this report any relationship which may impair their independence.

13.5 We have held discussions with management of Zeotech regarding the information contained in this report. We did not change the methodology used in our assessment as a result of discussions and our independence has not been impaired in any way.

14. QUALIFICATIONS

14.1 Moore Australia Corporate Finance (WA) Pty Ltd is a professional practice company, wholly owned by the Perth practice of Moore Australia, Chartered Accountants. The firm is part of the National and International network of Moore Global Network Limited independent firms and provides a wide range of professional accounting and business advisory services.

- 14.2 Moore Australia Corporate Finance (WA) Pty Ltd holds an Australian Financial Services License to provide financial product advice on securities to retail clients (by way of experts reports pursuant to the listing rules of the ASX and the Corporations Act) and its principals and owners are suitably professionally qualified, with substantial experience in professional practice.
- 14.3 The director responsible for the preparation and signing of this report is Mr Peter Gray who is a director of Moore Australia Corporate Finance (WA) Pty Ltd. Mr Gray is a Chartered Accountant and is RG146 compliant. Mr Gray has approximately 15 years' experience in capital markets and corporate finance and has significant experience in the preparation of independent expert's reports, valuations, valuation methodology and related advice. Mr Gray has previously worked as an oil and gas analyst at a major stock broking firm in Perth.
- 14.4 At the date of this report neither Mr Gray, nor any member or Director of Moore Australia Corporate Finance (WA) Pty Ltd, has any interest in the outcome of the Offer.

15. DISCLAIMERS AND CONSENTS

- 15.1 Moore Australia Corporate Finance (WA) Pty Ltd has been requested to prepare this report, to be included in the Notice of Meeting which will be sent to Zeotech's shareholders.
- 15.2 Moore Australia Corporate Finance (WA) Pty Ltd consents to this report being included in the Notice of Meeting to be sent to shareholders of Zeotech. This report or any reference thereto is not to be included in, or attached to any other document, statement or letter without prior consent from Moore Australia Corporate Finance (WA) Pty Ltd.
- 15.3 Moore Australia Corporate Finance (WA) Pty Ltd has not conducted any form of audit, or any verification of information provided to us, and which we have relied upon in regard to Zeotech, however we have no reason to believe that any of the information provided, is false or materially incorrect.
- 15.4 The statements and opinions provided in this report are given in good faith and in the belief that they are not false, misleading or incomplete.
- 15.5 Neither Moore Australia Corporate Finance (WA) Pty Ltd nor Mr Gray take any responsibility for, nor have they authorised or caused the issue of, any part of this report for any third-party other than the shareholders of Zeotech in the context of the scope and purpose defined in section 4 of this report.
- 15.6 With respect to taxation implications, it is recommended that individual shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own specific circumstances. The advice provided in this report does not constitute legal or taxation advice to shareholders of Zeotech or any other party.
- 15.7 The statements and opinions expressed in this report are given in good faith and with reliance upon information generated both independently and internally and with regard to all of the circumstances pertaining to the Proposed Transaction.
- 15.8 In regard to any projected financial information noted in this report, no member or director of Moore Australia Corporate Finance (WA) Pty Ltd has had any involvement in the preparation of the projected financial information.
- 15.9 Furthermore, we do not provide any opinion whatsoever as to any projected financial or other results prepared for Zeotech, and in particular do not provide any opinion as to whether or not any projected financial results referred to in the report will or will not be achieved.

Yours faithfully



Peter Gray
Director

Moore Australia Corporate Finance (WA) Pty Ltd

APPENDIX A – SOURCE OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- Acquisition agreement between Zeotech & Kalotech;
- Notice of Meeting for the Proposed Transaction;
- Audited financial statements of Zeotech for the years ended 30 June 2019, 2020 and 2021;
- Term Sheets between Zeotech & Kalotech;
- Share registry information for Zeotech;
- Information in the public domain;
- S&P Capital IQ database; and
- Discussions with directors, management of Zeotech.

APPENDIX B – VALUATION METHODOLOGIES

We have considered which valuation methodology is the most appropriate in light of all the circumstances and information available. We have considered the following valuation methodologies and approaches:

- Discounted cash flow methodology ('DCF');
- Capitalisation of maintainable earnings methodology ('CME');
- Net assets value method ('NAV');
- Quoted market price methodology ('QMP'); and
- Market approach method (Comparable market Transaction)

Valuation Methodologies and Approaches

Discounted Cash Flow Method

Discounted cash flow methods estimate fair market value by discounting a company's future cash flows to their net present value. These methods are appropriate where a forecast of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Capitalisation of Maintainable Earnings Method

The capitalisation of maintainable earnings method estimates "fair market value" or "enterprise value", by estimating a company's future maintainable earnings and dividing this by a market capitalisation rate. The capitalisation rate represents the return an investor would expect to earn from investing in the company which is commensurate with the individual risks associated with the business.

It is appropriate to apply the capitalisation of maintainable earnings method where there is an established and relatively stable level of earnings which is likely to be sustained into the foreseeable future.

The measure of earnings will need to be assessed and can include, net profit after taxes (NPAT), earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortisation (EBITDA).

The capitalisation of maintainable earnings method can also be considered a market based methodology as the appropriate capitalisation rate or 'earnings multiple' is based on evidence of market Transaction involving comparable companies.

An extension of the capitalisation of maintainable earnings method involves the calculation of share value of an entity. This process involves the calculation of the enterprise value, which is then adjusted for the net tangible assets of the entity.

Net Assets Value Method (Orderly Realisation of Assets)

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

Liquidation of assets

The Liquidation method is similar to the orderly realisation of asset method except the liquidation method assumes the assets are sold in a shorter time frame.

Net assets

The net assets method is based on the value of the assets of a business less certain liabilities at book values, adjusted to a market value.

The asset based approach, as a general rule, ignores the possibility that a company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements, and goodwill.

The asset based approach is most appropriate when companies are not profitable, a significant proportion of assets are liquid, or for asset holding companies.

Cost Based Approach

The cost based approach involves determining the fair market value of an asset by deducting the accumulated depreciation from the asset's replacement cost at current prices.

Like the asset based approach, the cost based approach has a number of disadvantages, primarily that the cost of an asset does not necessarily reflect the assets ability to generate income. Accordingly, this approach is only useful in limited circumstances, usually associated with intangible asset valuation.

APPENDIX B – VALUATION METHODOLOGIES (continued)

Valuation Methodologies and Approaches

Quoted Market Price Methodology

The method relies on the pricing benchmarks set by sale and purchase Transaction in a fully informed market the ASX which is subject to continuous disclosure rules aimed at providing that market with the necessary information to make informed decisions to buy or to sell.

Consequently, this approach provides a “fair price”, independently determined by a real market. However, the question of a fair price for a particular transaction requires an assessment in the context of that transaction taken as a whole.

In taking a quoted market price based assessment of the consideration to both parties to the proposed transaction, the overall reasonableness and benefits to the non-participating shareholders must be carefully evaluated.

Market Approach Method

The market based approach estimates a company’s fair market value by considering the market prices of Transaction in its shares or the market value of comparable assets.

This includes, consideration of any recent genuine offers received by the target for an entire entity’s business, or any business units or asset as a basis for the valuation of those business units or assets, or prices for recent sales of similar assets

APPENDIX C – GLOSSARY

In this report, unless the context requires otherwise:

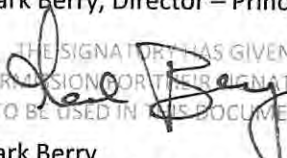
Term	Meaning
Act	Corporations Act 2001
APES	Accounting Professional & Ethics Standards Board
ASIC	Australian Securities and Investments Commission
Associated Non-Associated Shareholders	Non-Associated Shareholders in Zeotech who are party to, or associated with a party to, the Proposed Transaction
ASX	Australian Securities Exchange or ASX Limited ACN 008 624 691
Board	The Board of Directors of Zeotech
Business Day	Has the meaning given in the Listing Rules
Company	Zeotech Limited
Consideration	Total consideration payable by Zeotech to Zilotech Holdings Pty Ltd, consisting of shares in Zeotech plus a cash reimbursement
Control basis	Assuming the shareholder/s have control of the entity in which equity is held
CPR	Competent Persons Report
CY	Calendar year
Directors	The Directors of Zeotech
Explanatory Statement	The explanatory statement accompanying the Notice
FY	Financial Year
Zeotech	Zeotech Limited
IER	This Independent Experts Report
Income Tax Assessment Act	the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997
ITSR	Independent Technical Specialist Report
LTM	Last 12 months
Moore Australia or MACF	Moore Australia Corporate Finance (WA) Pty Ltd
Notice or NOM	The notice of meeting in relation to the Proposed Transaction
Option	Means an option to acquire shares
Kalotech	Kalotech Pty Ltd
Proposed Transaction	The proposed acquisition of 100% of the ordinary share capital of Kalotech from the Zilotech Holdings Pty Ltd in exchange for the issue of 37,000,000 ordinary shares in Zeotech.
Relevant interest	Shareholding or the power to control the right to vote or dispose of shares
Resolutions	Means the resolutions set out in the notice, or any one of them, as the context requires
RG111	ASIC Regulatory Guide 111 <i>Content of Experts Reports</i>
S&P Capital IQ	Third party provider of company and other financial information
Section	Means a section of the IER
Share	Means a fully paid ordinary share in the capital of the Company

APPENDIX D – Derisk report on the Toondoon project

INDEPENDENT TECHNICAL SPECIALIST REPORT OF THE TOONDOON KAOLIN PROJECT, QUEENSLAND

Client:	Zeotech Limited
Project number:	P2122-31
Document status:	FINAL
Effective date:	31 March 2022
Document Date:	6 May 2022

DOCUMENT CONTROL AND INFORMATION

Project number:	P2122-31
Document title:	Independent Technical Specialist Report of the Toondoon Kaolin Project, Queensland
Client:	Zeotech Limited
Client contact:	Mr Neville Bassett, Company Secretary
Document file name:	P2122-31 Zeotech Toondoon ITSr FINAL.pdf
Document status:	Final Report
Effective date:	31 March 2022
Document date:	6 May 2022
Derisk project manager:	Mark Berry, Director – Principal Geologist
Derisk contributors:	Paul Griffin, Associate Principal Mining Consultant Mal Dorricott, Principal Mining Consultant Michele Pilkington, Director – Business Manager
Derisk peer reviewer:	Mark Berry, Director – Principal Geologist
Authorised and signed on behalf of Derisk (for Final Documents):	 THE SIGNATORY HAS GIVEN PERMISSION FOR THEIR SIGNATURE TO BE USED IN THIS DOCUMENT
Derisk representative:	Mark Berry MAIG ¹ , MGSA ² , AAICD ³

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¹ Member, Australian Institute of Geoscientists

² Member, Geological Society of Australia

³ Affiliate, Australian Institute of Company Directors

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1 EXECUTIVE SUMMARY

1.1 Introduction

In February 2022, **Derisk** Geomining Consultants Pty Ltd (Derisk) was engaged by Zeotech Limited (Zeotech) to prepare an Independent Technical Specialist Report (ITSR or the Report) of the Toondoon Kaolin Project (Toondoon or the Project) in southeast Queensland.

Kalotech Pty Ltd (Kalotech) holds a Mining Lease (ML) and two Exploration Permits for Minerals (EPMs) over the Project. Zeotech has executed a term sheet to acquire 100% of the issued capital in Kalotech. Moore Australia (Moore) has been engaged to prepare an Independent Expert Report (IER) for the proposed transaction and Derisk's ITSR will be attached to the IER.

1.2 Report Details

Derisk has adopted the VALMIN Code⁴ for the technical assessment and valuation of the Project, and the JORC Code⁵ as the public reporting standard. The effective date of this Report is 31 March 2022. All values in this report are in Australian dollars (AUD or \$) unless otherwise stated.

This Report has been prepared by Paul Griffin, Mal Dorricott, and Mark Berry and peer reviewed by Mark Berry. Mal Dorricott is the Practitioner and Specialist (as defined by the VALMIN Code) for the ITSR and was assisted by Paul Griffin and Mark Berry, who are both Specialists. A site visit to the Project was undertaken by Mark Berry in February 2022.

Derisk confirms that its Directors, staff, contributors, and reviewers to this Report are independent of Zeotech and have no interest in the outcome of the work to be completed in this engagement. Fees paid to Derisk are on a fee-for-service basis plus reimbursement of project-related expenses. Our agreement with Zeotech excludes any provision for a success fee or related incentive.

1.3 Mineral Asset Location, Ownership and History

Toondoon is located in southeast Queensland, approximately 350 km north-northeast of Brisbane, 200 km from the port of Bundaberg, and 300 km from the port of Gladstone. The project consists of one granted ML and two granted EPMs held by Kalotech covering an area of approximately 280 km².

Kaolin was discovered at Toondoon in 2012 during a bauxite exploration drilling program. In 2020, Kalotech negotiated an option agreement over ML 80126 and during 2021 completed two exploration drilling programs to define the kaolin over the ML. To date, little exploration has been undertaken on the two EPM's surrounding the ML.

1.4 Mineral Resource and Ore Reserve

Exploration has defined a flat-lying bed of pisolitic-bauxitic clays at surface that commonly overlies folded alumina-rich plastic clay, white kaolinite clay, and a sandy clay horizon. These are the weathered units of economic interest at Toondoon.

A Measured Resource of 7.7 Mt, an Indicated Resource of 13.8 Mt and an Inferred Resource of 2.4 Mt – totalling 23.9 Mt is reported for the Project. There is no cut-off applied to the bauxitic clay, plastic clay or kaolinitic clay horizons, whereas a cut-off criterion of 23% Al₂O₃ has been applied to the sandy clay horizon as follows:

- Bauxitic clay – 5.6 Mt.
- Plastic clay – 7.8 Mt.
- Kaolinite clay (with high iron >0.5%) – 2.7 Mt.
- Kaolinite clay (with low iron <0.5%) – 3.6 Mt.
- Sandy clay – 4.1 Mt.

No Ore Reserve has been estimated at the Project.

⁴ Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code), 2015

⁵ Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code), 2012

1.5 Development Options

The Mineral Resource includes a layer of high-quality kaolinite clay with low iron content comprising 1.6 Mt of Measured Resource and 2.0 Mt of Indicated Resource that is potentially suitable for a mining and direct shipping operation with on-site processing limited to solar drying, crushing and bagging. The remaining Mineral Resource is potentially suitable for beneficiation to produce saleable kaolin products or as a feedstock to a manufactured zeolite process being developed by Zeotech.

Derisk has developed an indicative mining scenario with a 15-year mine life in which the mining schedule assumes a gradual ramp up of production from 50 ktpa of dry product in year 1 to a target production rate of 200 ktpa of dry product in year 4. This rate is then assumed to be sustained for the rest of the life-of-mine (LOM) until depletion of the Measured and Indicated Resource of low-iron kaolinite clay. This scenario assumes that all product is transported by road to the Port of Bundaberg and exported.

1.6 Valuation

Derisk considers that the income valuation approach is the most appropriate valuation methodology to value the kaolin included in the indicative direct shipping operation scenario. For the remaining resource inventory, Derisk considers that a market-based comparable transaction valuation method is an appropriate primary valuation method (Table 1-1). A check valuation for the entire Project has been estimated using comparable transactions that delivers a narrower range of valuations with a much lower preferred valuation. Thirdly, the proposed acquisition terms announced by Zeotech in August 2021 results in the lowest valuation.

Table 1-1. March 2022 valuation scenarios.

Option	Valuation Approach	Minimum Value (AUD M)	Maximum Value (AUD M)	Preferred Value (AUD M)
Direct shipping scenario	Income	6.5	65.3	35.9
Remnant January 2022 Mineral Resource	Market	2.7	5.4	4.1
Combined valuation for Toondoon	-	9.2	70.7	40.0
Total January 2022 Mineral Resource	Market	3.3	6.7	5.0
Proposed acquisition terms	Market	2.6	3.5	3.1
Preferred Valuation		7.8	54.7	31.2

Derisk concludes that an appropriate valuation for the Toondoon Project should be weighted 75% using the income-based approach and valuing the remnant mineralisation using the market-based approach – and a 25% weighting of the total Mineral Resource using the market-based approach. Based on this approach, the Toondoon project is valued from AUD 7.8 M to AUD 54.7 M, with a preferred value of AUD 31.2 M. Whilst these ranges are wide, Derisk considers that they reflect the Project's sensitivity to commodity prices.

1.7 Risks and Opportunities

Derisk has identified two high risks, three medium risks and four low risks as defined in Table 1-2 and has identified two high opportunities and two medium opportunities as defined in Table 1-3.

Table 1-2. Project risks.

Risk Area	Description	High	Medium	Low
Rating		✓	✓	✓
Mineral Resources	The dry bulk density (DBD) data is inadequate to reliably determine the different average bulk densities of the five clay horizons.		✓	
Mining Factors	Significant rainfall events may cause disruption to the mining operations and solar drying of the product.			✓
Economic Factors	Commodity prices. Profitability is very sensitive to the selling price, which is untested for Toondoon product. Toondoon will be adversely affected financially from any short-term drop in the realised selling price, as well as any longer-term sustained lower prices.	✓		
	Significant increases in the cost of diesel fuel will result in higher costs for mining operations and haulage of product to the port.			✓
Marketing Factors	If the product quality is not maintained, there may be a reduction in demand for the product and/or a reduction in the selling price.		✓	
Environmental Factors	The project tenements have minor overlapping of Environmentally Sensitive Areas and Protected Plant trigger areas that may impact future exploration.			✓
Social and Government Factors	The LOM schedule beyond year 1 is dependent on approval to convert the existing ML to allow disturbance of more than 10 ha of land.	✓		
	The direct shipping operation is dependent on haulage of the product on public roads. Maintaining community and government support is crucial.		✓	
	The project tenements lie within the Restricted Area for the proposed Auburn River Dam site, but this does not overlap with the ML or likely area of operations.			✓

Table 1-3. Project opportunities.

Opportunity Area	Description	High	Medium	Low
Rating		✓	✓	✓
Mineral Resources	The Mineral Resource is open in all directions offering an opportunity to expand the resource base within the ML and surrounding EPMs.	✓		
Processing and Metallurgy Factors	The development of the manufactured zeolite technology may add significant value to the project, which is not considered in the proposed direct shipping operation.		✓	
Economic Factors	Profitability of the Toondoon operation will be sensitive to the kaolin price and will financially benefit from any short-term spikes in the price, as well as any longer-term sustained higher prices.	✓		
Marketing Factors	Toondoon has operational flexibility that will allow it to readily adapt to changeable market requirements and opportunities. The deposit includes a range of clay ore types with different properties that can be mined, processed and sold into different product markets.		✓	

1.8 Conclusions

Derisk considers that the geological setting, weathering profile, and clay horizon interpretation developed for the Toondoon project is reasonable and defensible. The two exploration programs completed by Kalotech appear to have been well designed and executed. The Mineral Resource estimate appears to have been completed appropriately, although Derisk considers that documentation of the estimate is inadequate.

Derisk considers that there are inadequate DBD measurements (ten) to support a Measured Resource category and more measurements across the Project area are required to develop a robust understanding of the DBD distribution, both spatially and with depth.

Toondoon has a defined Mineral Resource. Derisk considers that the income valuation approach is the most appropriate valuation methodology to value the mineralisation included in the indicative mining scenario. The remnant mineralisation was valued using the market-based comparable transactions approach to generate a total Project valuation. A check valuation for the entire Project was also estimated using comparable transactions.

Using an income-based valuation approach and a market-based valuation approach, at an effective date of 31 March 2022 Derisk concludes that an appropriate valuation for the total Toondoon Project ranges from AUD 7.8 M to AUD 54.7 M, with a preferred value of AUD 31.2 M. Whilst this range is wide, Derisk considers that it reflects the Project's sensitivity to commodity prices.

2 INTRODUCTION

2.1 Scope and Use of Report

In February 2022, Derisk was engaged by Zeotech to prepare an ITSR of the Toondoon Kaolin Project in central Queensland. Kalotech holds a ML and two EPMs over the Project. Zeotech has executed a term sheet to acquire 100% of the issued capital in Kalotech and Moore has been engaged to prepare an IER for the proposed transaction. This ITSR will be attached to the IER.

2.2 Reporting Standard and Currency

Derisk has adopted the VALMIN Code for the technical assessment and valuation of the Project, and the JORC Code as the public reporting standard. The effective date of this Report is 31 March 2022. All values in this report are in AUD or \$ unless otherwise stated.

2.3 Report Authors and Contributors

This Report has been prepared by Paul Griffin, Mal Dorricott, and Mark Berry and peer reviewed by Mark Berry. Table 2-1 presents details of the role and qualifications of each of the contributors.

Table 2-1. Report contributors.

Name	Title	Years of Experience	Professional Membership	Role and Responsibility
Mark Berry	Director and Principal Geologist	40	MAIG	Project Manager, Specialist (Mineral Resources), internal peer review
Paul Griffin	Associate Principal Mining Consultant	40	MAusIMM	Specialist (mining, processing, marketing and logistics)
Mal Dorricott	Principal Mining Consultant	52	FAusIMM	Practitioner (valuation)

Refer to Section 15 Definitions and Glossary for explanation of professional memberships.

The VALMIN Code requires that a public report on a technical assessment and valuation for mineral assets or securities must be prepared by a Practitioner, who is an Expert as defined in the Australian Corporations Act 2001 (Cth). Practitioners may be Specialists and Securities Experts (as defined in the VALMIN Code).

Mal Dorricott is the Practitioner and Specialist for the ITSR and was assisted by Paul Griffin and Mark Berry, who are both Specialists. A Practitioner statement and consent for Mal Dorricott and a Specialist statement and consent for Paul Griffin and Mark Berry are provided in Section 13 of this Report.

2.4 Site Visit

A site visit to the Project was undertaken by Mark Berry in February 2022.

2.5 Statement of Independence

Derisk confirms that its Directors, staff, contributors, and reviewers to this Report are independent of Zeotech and have no interest in the outcome of the work to be completed in this engagement. Fees paid to Derisk are on a fee-for-service basis plus reimbursement of project-related expenses. Our agreement with Zeotech excludes any provision for a success fee or related incentive. The fee for preparation of this Report is AUD 28 k and payment of this fee is in no way contingent on the results of this Report.

Paul Griffin has previously carried out mineral processing laboratory testwork for Kalotech and has provided mineral processing advice. He has also previously provided concept level operating cost advice to Zeotech. Derisk has reviewed Paul's work for both Kalotech and Zeotech and concluded there is no conflict of interest.

2.6 Methodology and Limitations

Derisk has independently analysed the data provided by Zeotech. The accuracy of the conclusions of this ITSR relies on the accuracy of the supplied data. Derisk Specialists have made reasonable enquiries and exercised our judgement on the reasonable use of such data and information and have no cause to doubt the accuracy or reliability of the information provided, but we do not accept responsibility for any errors or omissions in the information supplied, and do not accept any consequential liability arising from investment or other financial decisions or actions by others.

Derisk has not independently verified the legal status of the tenements described in this Report but has relied on information provided by Zeotech regarding the legal status of the tenements. The due diligence review of the status of the tenements has been undertaken by the independent firm, Ardent Group Pty Ltd (Ardent), and as such, Ardent assumes no responsibility for any part of this Report.

2.7 Reliance

Derisk understands that this Report will form part of the IER and will be made publicly available. Derisk requires that all public reports containing references to Derisk and/or Derisk advice, and all information provided by Derisk for the public report will be reviewed and approved by Derisk prior to publication – in the form and context that it will appear in the public report.

2.8 Consents

This document contains statements attributable to third parties that are made, or based upon statements made, in previous technical reports that are publicly available from either Australian government sources or ASX, but those reports are not incorporated by reference into the IER. The authors of these reports have not consented to their statements being used in this document, and these statements are included in accordance with ASIC Corporations (Consent and Statements) Instrument 2016/72.

2.9 Records and Indemnities

Zeotech has been provided with all digital data files produced by Derisk during this engagement. Derisk is entitled to retain a copy of all material information upon which our report is based.

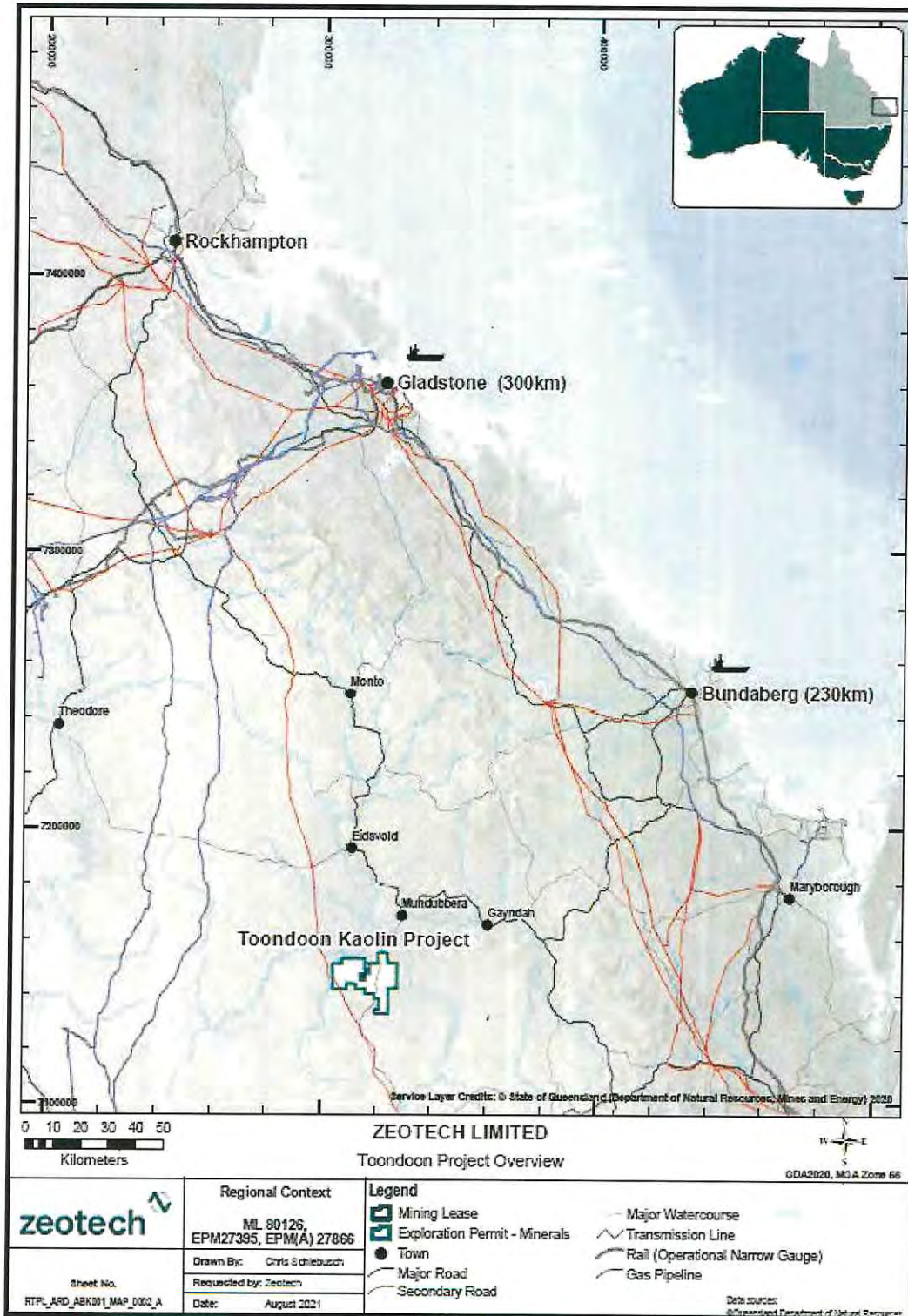
Zeotech has agreed to indemnify, defend, and hold Derisk harmless against any and all losses, claims, damages, costs, expenses, actions, demands, liabilities, or proceedings (including but not limited to third-party claims) howsoever arising, whether directly or indirectly out of this Agreement or the provision or non-provision of the services, other than losses, claims, damages, costs, expenses, actions, demands, liabilities, or proceedings that are determined by a final judgement of a court of competent jurisdiction to have resulted from actions taken or omitted to be taken by Derisk illegally or in bad faith or as a result of Derisk's gross negligence.

3 PROJECT SUMMARY

3.1 Location and Ownership

Toondoon is located in southeast Queensland, approximately 350 km north-northeast of Brisbane, 200 km from the port of Bundaberg, and 300 km from the port of Gladstone (Figure 3-1).

Figure 3-1. Toondoon project location.



Source: Zeotech, 2021.

The project consists of one granted ML and two granted EPMs held by Kalotech covering an area of approximately 280 km².

3.2 Access and Infrastructure

The deposit is located approximately 20 km south of Mundubbera. Access from Brisbane, Bundaberg and Gladstone is by sealed road to within 5 km of the deposit, then by a combination of unsealed public road and unsealed private road.

Both Gladstone and Bundaberg are major regional centres and provide a wide range of services and infrastructure to support exploration and mining activities, including air, road, and port facilities.

Mundubbera is the nearest significant township, with a population of approximately 1,200. Facilities include commercial, retail, general services and support, education, and accommodation options.

3.3 Climate

Mundubbera has a temperate climate with mean maximum temperatures ranging from 33.6°C in summer to 22.8°C in winter, and rainfall ranging from 20 mm to 100 mm, most falling in the summer months (Table 3-1).

Table 3-1. Mundubbera long term climate records.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
Mean Max (°C)	33.6	32.8	31.3	29.1	25.6	22.8	22.8	24.9	28.1	30.4	31.8	32.8	28.8
Mean Min (°C)	20.8	20.6	19.1	15.2	10.7	8.7	7.3	7.8	11.5	15.2	17.5	19.6	14.4
Mean Rain (mm)	84.3	99.0	75.7	21.1	27.4	32.1	20.1	24.0	27.2	74.1	60.7	99.1	625.0
Mean Rain Days	9.7	9.2	8.0	6.1	5.4	6.4	5.8	3.8	5.1	7.3	7.7	9.8	82.5

Source: <https://www.eldersweather.com.au/climate-history/qld/mundubbera>

3.4 Geomorphology

The main project area is located within gently undulating topography and moderate levels of vegetation (Figure 3-2).

Figure 3-2. Aerial view of the Toondoon project geomorphology and vegetation.



Source: Rock-Ex, 2022.

4 TENEMENT STATUS

In February 2022, Zeotech commissioned an independent tenement review by Ardent to fulfil VALMIN Code requirements for a recent independent assessment of tenement status. The purpose of the Ardent review was to determine and identify:

- The interests held by the Company in the tenements.
- Any third-party interests, including encumbrances, in relation to the tenements.
- Any material issues existing in respect of the tenements.
- The good standing, or otherwise, of the tenements.
- Any concurrent interests in the land the subject of the tenements, including other mining tenements, private land, pastoral leases, Native Title and Aboriginal heritage.

4.1 Tenure

Tenement details for the Project are summarised in Table 4-1 and shown in Figure 4-1. As at 28 February 2022, the ML was held in the name of four individuals – Duncan, Glenys, Mark, and Phillip Brown. Subsequent to the Ardent review, on 25 March 2022 the Department of Resources formally advised Kalotech that ML 80126 had been transferred to Kalotech Pty Ltd. Derisk has sighted the transfer notice. The EPMs are held in the name of Kalotech Pty Ltd.

The ML has been granted specifically for bauxite, clay - kaolin/kaolinite, clay - montmorillonite, gold, iron ore, and mineral pigment/ochre. The EPMs have been granted for all minerals other than coal.

Table 4-1. Tenement status as at 31 March 2022.

Tenement	Name	Holder	Grant Date	Expiry Date	Size (sub-blocks)	Size (km ²)
ML 80126	-	Kalotech Pty Ltd	24 Nov 2005	30 Nov 2030	-	1.3122
EPM 27395	Mundubbera South	Kalotech Pty Ltd	21 May 2020	20 May 2025	89	-
EPM 27866	Mundubbera South Extended	Kalotech Pty Ltd	1 Feb 2021	31 Jan 2027	3	-

Prepared by Derisk based on information compiled by Ardent, 2022 and amended using subsequent information.

4.2 Tenement Standing

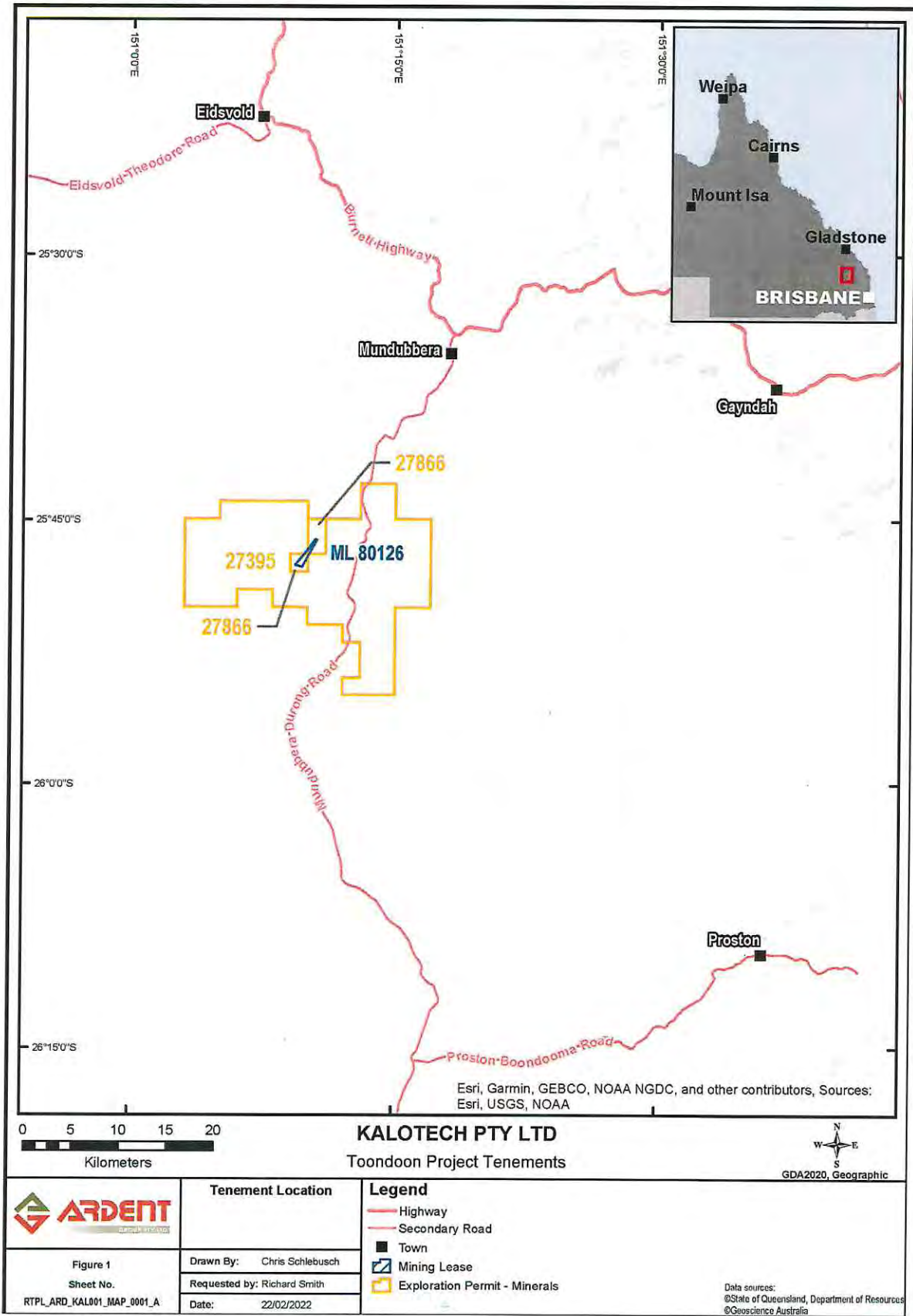
Based on the information reviewed as part of its due diligence, Ardent concluded that the Toondoon Project tenements appear to be in good standing.

With respect to ML 80126, Ardent determined that there are no key issues arising from its review that are considered to be an impediment to mining. However, Derisk notes that the eligibility criteria in the Environmental Approval includes a requirement that “The mining activity does not, or will not, at any one time, cause more than 10ha of land to be significantly disturbed”.

With respect to the EPMs, Ardent determined that:

- **Land Access.** There is some State Forest land that requires consent from the government prior to entry. This is not typically difficult to obtain, however individual State Foresters have differing levels of entry requirements (from a simple access agreement to the preparation of an Environmental Management Plan).
- **Protected Plants.** There are a number of trigger areas within EPM 27395. These will require appropriate flora survey work prior to entry. Should any critically-endangered, vulnerable, or near-threatened native plants species be present (and exploration works cannot be re-aligned) then environmental offsets may be required.
- **EPM Mandatory Relinquishment and Surrender.** The EPMs are fairly recent grants with renewals needed within the next 3-5 years. There are mandatory 50% sub-block reductions and final surrenders of the tenements in 2035-37.
- **Dealings.** EPM 27395 lies within the restricted area for the future Auburn River dam site, which means that the EPM is subject to additional conditions imposed by the Department administering water resources. Ardent recommends discussions be held with the Department of Regional Development, Manufacturing and Water to determine the proposed dam site construction likelihood/timetable and the potential impact that this may have on any future ML applications.

Figure 4-1. Tenement locations.



Source: Ardent, 2022.

5 MARKET OVERVIEW

5.1 Kaolin

Kaolinite is an industrial mineral belonging to the kaolin group of aluminosilicates. The term kaolin is used to describe a group of relatively common clay minerals, primarily kaolinite, and is produced by the chemical weathering of aluminium silicate minerals such as feldspar. It is a soft, earthy, usually white mineral (dioctahedral phyllosilicate clay).

Kaolin's commercial attributes revolve around being chemically inert over a relatively wide pH range, brightness, film strength, whiteness, opacity, gloss, viscosity, low heat, and low electrical conductivity, which leads to a diversified range of industrial applications, some of which include:

- Paper coating – to hide the pulp strands and increase paper brightness and control ink adsorption.
- Ceramics – high fusion temperature and white burning characteristics makes it particularly suitable for the manufacture of whiteware and porcelain (china).
- Paints – as an extender and flattening agent.
- Rubber – filling rubber to improve its mechanical strength and resistance to abrasion.
- Coil coating.
- Colour pencils.
- Plastics.
- Cement and fibreglass.

Kaolin is also emerging as a cost effective and environmentally friendly source of alumina and can be applied as feedstock in the production of High Purity Alumina (HPA) and commercially versatile manufactured zeolites as discussed in Section 5.2.

In its natural state kaolin is a white, soft powder consisting principally of the mineral kaolinite with the chemical formula of $\text{Al}_2\text{Si}_2\text{O}_5(\text{OH})_4$. In nature, kaolin usually contains varying amounts of other minerals such as muscovite, quartz, feldspar, and anatase and can be stained by iron hydroxide pigments. It is often necessary to process it to remove the other minerals and to bleach the clay chemically to treat the iron pigment in order to prepare kaolin for commercial use.

Kaolin deposits generally result from near-surface weathering and therefore do not generally have much depth extent, meaning resource extensions at established mines by deeper and underground mining are rare. Many older depleted deposits have closed or are now being mined with low kaolin contents requiring extensive processing. In some older mine operations, such as in Cornwall and Germany, kaolin is now produced from lower grade ores along with by-products including lower value feldspar and quartz. Many kaolin mines in China are rapidly approaching end-of-life or are being closed for environmental reasons.

Table 5-1 presents a summary of the global kaolin market for the year 2019 together with a production forecast for 2027. A significant tonnage of kaolin in the local Asia Pacific market is produced, but it is mainly sold into the lower price end of the market. The long-term potential for Australian kaolin mines is therefore very good. Major competitors in the USA (Georgia) and Brazil require higher cost shipping through the Panama Canal and across the Pacific Ocean to supply Asian markets.

Table 5-1. Summary of global kaolin market in 2019 and forecast for 2027.

Location	Actual Market – 2019 (Mt)	Forecast Market – 2027 (Mt)
Europe	9.2	11.1
Asia Pacific	12.0	16.4
Middle East/Africa	1.8	2.0
Americas	6.4	8.0
GLOBAL	29.4	37.5

Source: Grand View Research and WA Kaolin Limited, 2022.

The global value of kaolin production in 2027 is estimated at USD 6.3 billion at an average price of USD 168/t. The global average price is dominated by domestic or intra-national sales, and a large proportion of low-price product. Because of the high freight cost from Australian mines to port and international shipping costs, Australian projects are predominantly aiming at the international high-quality, high-price section of the global market with a focus on the Asia Pacific region.

5.2 Manufactured Zeolites

Manufactured zeolites are aluminosilicate minerals with a sponge-like structure, made up of tiny pores (frameworks) that make them useful as catalysts or ultrafine filters. They are commonly known as molecular sieves and can be designed to selectively adsorb molecules or ions dependant on their unique construction and have the ability to be regenerated over and over again for re-use (recycled).

Zeolites act much like a magnet that can hold cations, like heavy metal, ammonia, low level radioactive elements, toxins, petrochemicals, many different types of gases, and a multitude of various solutions. The selectivity properties of different manufactured zeolites enable them to be effective in wastewater treatment applications, water filters and as ion exchangers in many everyday dishwashing and laundry detergents.

Zeolites can play an important role in a cleaner and safer environment:

- Zeolites are an effective substitute for phosphates in powder detergent, now banned in many parts of the world because of blue-green algae toxicity in waterways.
- As catalysts, zeolites increase process efficiencies resulting in a decrease in energy consumption.
- Zeolites can act as solid acids and reduce the need for more corrosive liquid acids.
- Zeolites adsorbent capabilities see them widely used in water treatment i.e., heavy metal removal including those produced by nuclear fission.
- As redox catalyst sorbents, zeolites can help remove exhaust gases and chlorofluorocarbon.
- As a commercial environmental management solution for suitable mine tailings/residues, by applying tail streams as feed for low-cost production of high value zeolites.

Zeotech aims to become Australia's first manufacturer of zeolites and holds novel and proprietary mineral processing technologies, developed by The University of Queensland, for the manufacture (synthesizing) of zeolites. The patent-pending technologies possess the potential to significantly reduce the cost of manufacturing zeolites, compared to conventional production processes.

Subject to further process development and testwork, Zeotech considers that the clay deposit at Toondoon is likely to be suitable as feedstock for its process.

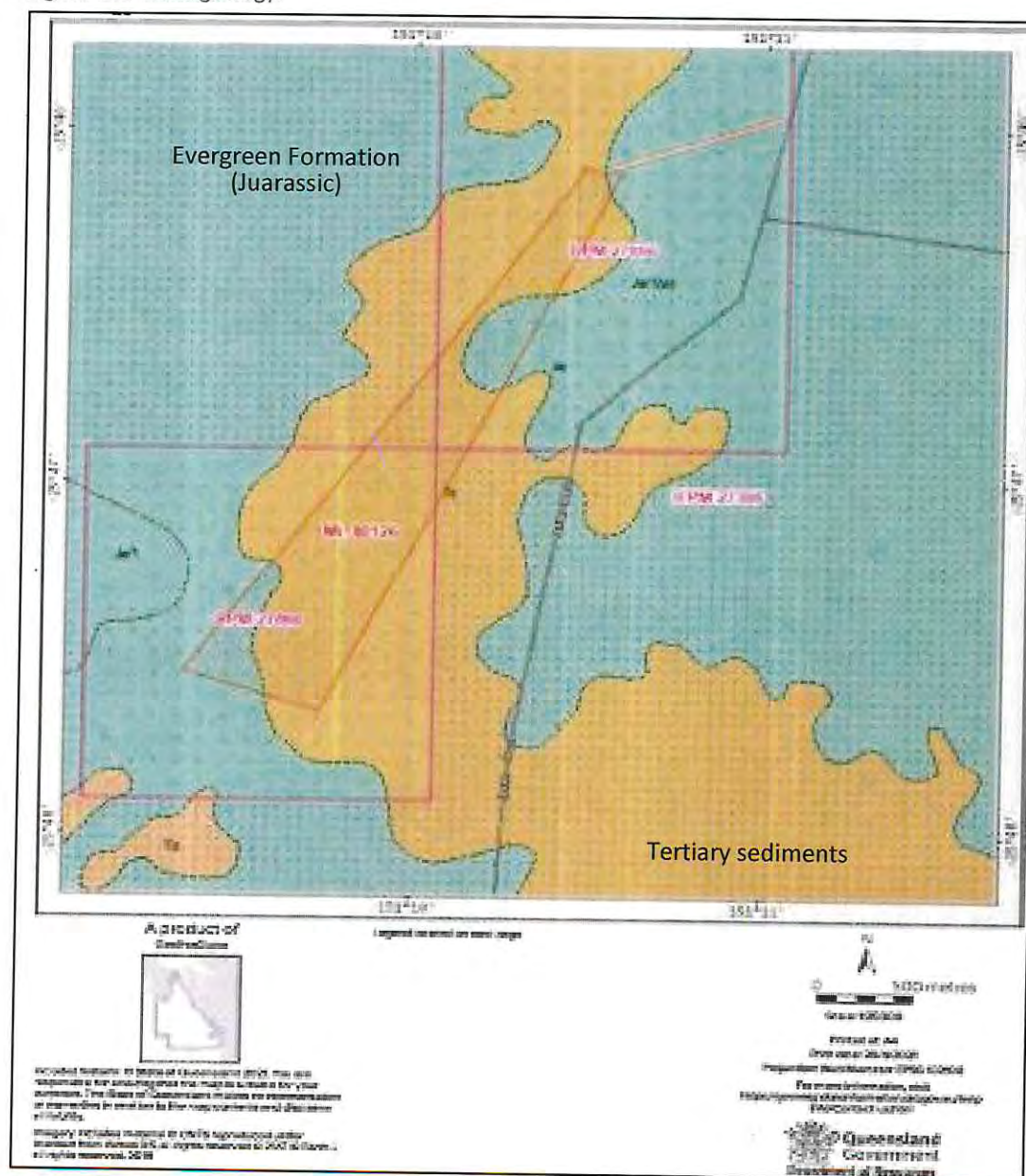
6 GEOLOGICAL SETTING

6.1 Geology

The basement rocks within the project area consist of the Carboniferous Rockhampton Group, comprised of mudstone, siltstone, volcanoclastic sandstone, polymictic conglomerate, and rhyolitic ignimbrite (Rock-Ex, 2022). Overlying the Rockhampton Group is the Jurassic Evergreen Formation, consisting of weathered micaceous sandstone, mudstone, carbonaceous mudstone, minor siltstone, and coal. These sediments are intruded by two northeast trending belts of Permian-Triassic granitoids north and south of Toondoon. Overlying the Evergreen Formation sediments there are Tertiary sediments, consisting of mudstone, sandstone, laminated siltstone, and minor conglomerate.

Figure 6-1 illustrates the local geology of the main prospect area at Toondoon. Government mapping indicates that the Evergreen Formation is overlain by the Tertiary sediments. However, the mapped Tertiary sediments have been folded, suggesting they are the weathering/alteration products of the Evergreen Formation sediments that formed during the Tertiary.

Figure 6-1. Local geology.



The weathering surface is capped by the development of a flat-lying bed of pisolitic-bauxitic clays that commonly overlies folded alumina-rich plastic clay, white kaolinite clay (Figure 6-2), and a lower sandy clay bed. These are the weathered units of economic interest at Toondoon. The surficial outcrop within the drilled area of ML 80126 indicates bauxitic clay at the northern and southern ends. Through the central section of the drilled block grey plastic clay outcrops with a small sliver of high iron white kaolinite clay at the southern end of the drilled block.

Figure 6-2. Trench exposing white kaolinitic clay horizon.



Source: Kalotech photograph, 2021.

6.2 Geochemistry and Mineralogy

The geochemistry of the four main clay horizons comprising the Tertiary sequence is presented in Table 6-1. The kaolinite clay horizon can be further subdivided into an upper high-iron sub-unit (>0.5% iron) and a lower low-iron sub-unit (<0.5% iron).

Table 6-1. Geochemistry of the Tertiary clay horizons.

Horizon	Al ₂ O ₃ (%)	Fe ₂ O ₃ (%)	SiO ₂ (%)	TiO ₂ (%)	Sulphur (%)	P ₂ O ₅ (%)	Loss on Ignition (%)
Bauxite clay	19 – 47	6 – 45	8 – 46	2 – 11	<2.6	-	11 – 26
Plastic clay	29 – 47	2 – 5	9 – 46	2 – 16.5	<0.3	-	13 – 15
Kaolinite clay	34 – 38	<2	40 – 48	<2	-	<0.2	12.5 – 14
Sandy clay	12 – 32	<1	50 – 82	<1.5	-	<0.2	5 – 12

Source: Rock-Ex, 2022.

ALS Global Brisbane laboratory (ALS) was provided with four samples for semi-quantitative mineralogy using a powder X-ray diffraction (XRD) method (Table 6-2). Mineralogy of the bauxite clay horizon consists of pisolites with hematite, kaolinite, gibbsite, and anatase. The plastic clay consists of kaolinite, gibbsite, minor

hematite, and anatase. The kaolinite clay consists of kaolinite, minor gibbsite, and anatase. The sandy clay comprises kaolinite, fine-medium grained quartz sand, \pm illite.

Table 6-2. Mineralogy.

Mineral or mineral group	Sample 1	Sample 2	Sample 3	Sample 4
	TDAC1709	TDAG1714	TDAC1905	TDAC1911
	Mass %			
Kandite group	44	97	16	93
Gibbsite	21	0	65	0
Annite - biotite	0	< 1	< 1	0
Muscovite	0	< 1	0	0
Quartz	8	1	4	0
Goethite	1	0	0	0
Hematite	1	< 1	7	< 1
Anatase	17	1	4	5
Rutile	9	< 1	5	2

Source: ALS Global, 2021.

Notes: Kandite group minerals appears to be mostly kaolinite, some nacrite and halloysite might be present.

TDAC1709 – plastic clay, TDAC1714 – kaolinite clay, TDAC1905 – bauxitic clay, TDAC1911 – plastic clay.

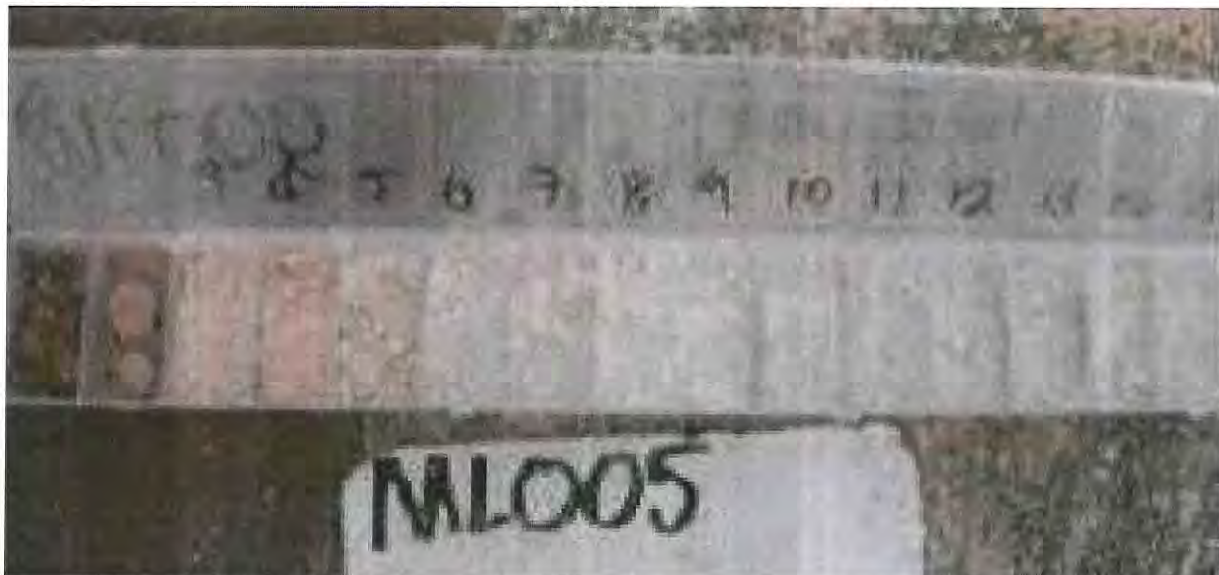
7 EXPLORATION

Rock-Ex documents that only two companies have undertaken exploration at the Project.

7.1 Australian Bauxite Limited

In 2012, Australian Bauxite Limited (ABL) completed 14 drillholes (ML001 to ML014) totalling 186 m within ML 80126 targeting the potential for a bauxite deposit. Holes were percussion drilled and ranged from 9.0 m to 28.0 m. ABL identified and reported an Inferred Mineral Resource in accordance with the 2004 JORC Code of 3.5 Mt @ 40.2% Al_2O_3 and 7.2% SiO_2 (ABL, 2019). Several holes intersected white kaolinite below the bauxite horizon (Figure 7-1).

Figure 7-1. ABL chip tray from drillhole ML005 showing white kaolinite from 9.0 to 15.0 m.



Source: Rock-Ex, 2022.

7.2 Kalotech Pty Ltd

7.2.1 Drilling and Trenching

In 2020, Kalotech negotiated an option agreement with the holders of ML 80126. Initially, Kalotech analysed some of the clay samples underlying the bauxitic clay horizon collected by ABL, which indicated that kaolinite clays of good quality (>32% Al_2O_3), low silica and potassium, and with acceptable iron and titanium underlie the bauxitic clays.

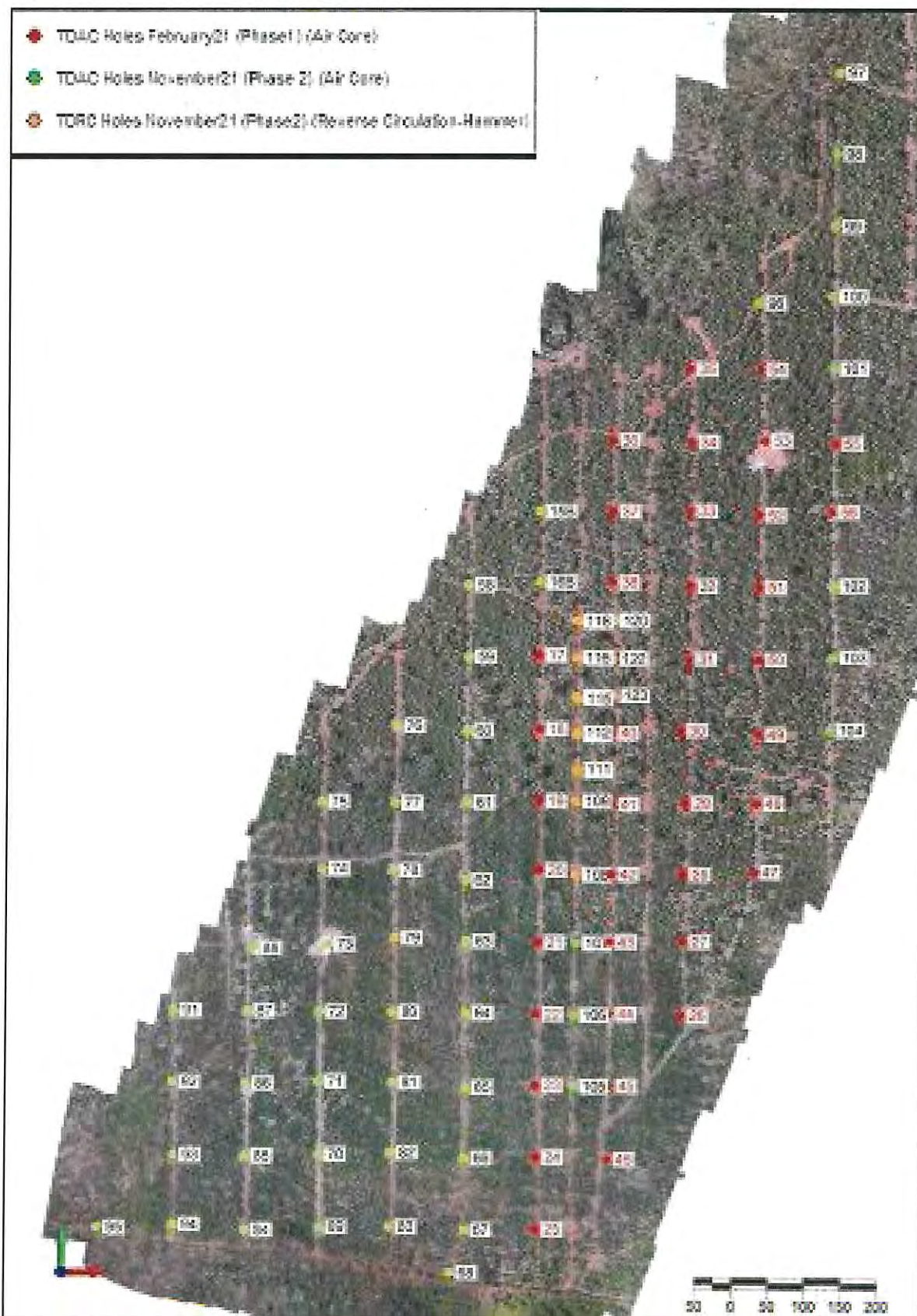
Since then, Kalotech has completed two drilling programs at Toondoon (Figure 7-2 and Figure 7-3) as follows:

- Phase 1 – February 2021. A total of 24 blade air-core holes (TDAC015 to TDAC056) totalling 1,042.5 m on north-south grid lines were completed with a nominal drillhole spacing of 100 m.
- Phase 2 – November 2021. A total of 52 blade air-core holes (TDAC058 to TDAC107, TDAC015B and TDAC016B) totalling 1,475.0 m extending the Phase 1 drill coverage to the west and south on north-south grid lines were completed with a nominal drillhole spacing of 100 m. In addition, 18 reverse circulation (RC) drillholes (TDRC108 to TDRC121) were completed on a nominal 50 m spaced grid totalling 373.0 m in the centre of the ML. Six of these RC holes were twinned and were drilled to collect sample for bulk testing and marketing.

All drillhole collars were surveyed with a Garmin Global Positioning System (GPS) instrument using the averaging feature for some 20 to 30 minutes until the precision was at or below 2 m. The elevation of the drillhole collar was sometimes corrected using an airborne drone photogrammetry survey.

All drillholes were sampled and geologically logged at 1.0 m intervals. All samples were dry and were split onsite using an 87.5:12.5 splitter (3 sets of riffles). The 87.5% fraction retention samples were retained and stored in a shed in Mundubbera. The 12.5% fraction was further split with a 50:50 splitter to produce an approximate 300 g sample for analysis.

Figure 7-2. Plan of Kalotech drillholes at Toondoon.



Source: Rock-Ex, 2022.

Figure 7-3. Kalotech drilling and sampling, November 2021.



Source: Kalotech photograph, 2021.

In conjunction with the Phase 2 drilling program, two shallow bulldozer trenches adjacent to several drillholes were completed (refer to Figure 6-2) for photography purposes and to collect samples of the kaolinite clay and the sandy clay for density determinations. Surficial bauxite clay material was also collected for density determination.

7.2.2 Sampling and Analysis

All samples from the Kalotech drilling program were prepared and analysed at ALS. The clay samples were weighed and pulverised to a nominal -75 µm. The mill was cleaned with a silica sand flush after each sample.

Pulverised samples were analysed by X-ray fluorescence (XRF) method ME-XRF13n used typically to analyse bauxite samples. A 0.7 g fused disc was analysed and reported whole metal oxides (with detection limits) for Al₂O₃ (0.02%), BaO (0.01%), CaO (0.01%), CoO (0.01%), Cr₂O₃ (0.002%), Fe₂O₃ (0.01%), K₂O (0.002%), MgO (0.01%), MnO (0.002%), Na₂O (0.01%), P₂O₅ (0.002%), SiO₂ (0.05%), SO₃ (0.005%), SrO (0.001%), TiO₂ (0.004%), V₂O₅ (0.001%), Zn (0.001%), ZrO₂ (0.002%).

A Loss-on-Ignition (LOI) analysis using method ME-GRA05 was used to determine the amount of hydroxyl water in the clay minerals.

To monitor quality assurance and quality control (QA/QC), Kalotech inserted a certified reference material (CRM) sample sourced from a commercial supplier (OREAS 999) together with a field duplicate of each rock type from each hole.

7.2.3 Dry Bulk Density

Ten hand specimen samples were collected from the surface and the two trenches and despatched to ALS for DBD determination using method OA-GRA08, which involved a weigh-in-air then weigh-in-water method after samples were dried, then weighed, then coated in wax.

Samples provided were between 500 g to 1,000 g each and a small subsample was removed for analysis. Table 7-1 summarises the data for these samples.

Table 7-1. Samples from DBD and chemical analysis determination.

Sample Number	Type	Al ₂ O ₃ (%)	Fe ₂ O ₃ (%)	SiO ₂ (%)	Loss on Ignition (%)	DBD (t/m ³)
53.1	Kaolinite clay	37.40	1.98	44.1	14.06	1.63
53.2	Kaolinite clay	33.89	1.16	50.2	12.64	1.79
53.3	Kaolinite clay	37.78	1.05	44.5	14.30	1.74
53.4	Kaolinite clay	34.07	0.81	50.3	12.70	1.80
73.1	Sandy clay	20.13	0.52	70.3	7.58	1.73
73.2	Sandy clay	19.39	0.35	71.2	7.39	1.58
88	Sandy clay	16.96	0.27	75.5	6.18	1.75
89	Sandy clay	31.39	0.49	54.0	12.07	1.70
76	Bauxitic clay	-	-	-	-	2.24
79	Bauxitic clay	-	-	-	-	1.87

Source: Rock-Ex, 2022.

7.2.4 Screening and Elutriation Tests

In late 2021, Kalotech arranged testing of ten drillhole samples by screening and elutriation to assess yield of kaolin. Nine samples were of kaolinite clay and one sample was of sandy clay. The average kaolin grade as - 25 µm fraction yield of the nine samples of kaolinite clay was 89%, with a range from 72% to 98%. The one sample tested of a composite of the sandy clay yielded 73% of -25 µm fraction.

Subsequent to this work, Kalotech undertook further screening tests on the sandy clay horizon, which consists of high-quality kaolinite with a varying silica content comprising coarse to very fine-grained sand. Several samples of the sandy clay were screened and analysed using a 45 µm screen and a 25 µm screen. Results suggest that when screened to 25 µm, sandy clay containing more than 23% Al₂O₃ delivers a yield of 62% to 94% and grades of 36.5% to 38% Al₂O₃, 45% to 47% SiO₂, and 13% to 13.5% LOI. However, sandy clay containing less than 23% Al₂O₃ delivers a significantly lower yield, lower Al₂O₃ content, higher SiO₂ content, and lower LOI.

7.2.5 Brightness Tests

In addition to high fineness achieved by processing, high quality kaolin must meet a variety of product quality standards including high whiteness/brightness. Brightness can be correlated with the level of contaminant elements and the Toondoon kaolin is notable in having low levels of contaminant iron, so high brightness values in final product could be expected.

One sample of screened and elutriated Toondoon kaolin has been tested for ISO brightness and a high value was indicated. Further product quality tests are required to confirm or provide confidence in the product quality parameters of the clay mineralisation for a direct shipping operation.

8 MINERAL RESOURCE

8.1 Estimation Methodology

In January 2022, Ausrocks Pty Ltd (Ausrocks) was commissioned by Kalotech to prepare a new Mineral Resource estimate for Toondoon using all data from the Phase 1 and Phase 2 drilling programs. The process used by Ausrocks to prepare the January 2022 Mineral Resource estimate comprised the following steps:

1. Digital files of drillhole data were imported into Micromine software for checking and validation.
2. Digital survey data of the topography was imported into Micromine as collected from a drone photogrammetry survey and reviewed.
3. Data validation checks were completed, focused on errors or inconsistencies in the drillhole collar and assay data.
4. QA/QC data was reviewed.
5. 3D interpretations of lithology and clay horizons were created, based on the drillhole logs and assays. Five lithologies were interpreted – bauxitic clay, plastic clay, kaolinite clay (high iron), kaolinite clay (low iron) and sandy clay. The contact between the base of the low-iron kaolinitic clay and the top of the sandy clay horizon was guided by using a criteria of 32% Al_2O_3 and 47.5% SiO_2 .
6. Statistical analysis of drillhole geochemical data was completed.
7. Drillhole composite lengths were selected, followed by composite statistics and a variographic analysis of the drillhole data.
8. A 3D block model was created (10 mE x 10 mN x 1 mRL), with sub-celling of parent blocks (1 mE x 1 mN x 1 mRL) to allow reasonable boundary definition to honour topography and geological features.
9. Estimation search parameters were developed and estimates were generated using the ordinary kriging (OK) method.
10. Average bulk density estimates of 2.05 t/m³ were applied to bauxitic clay, 1.74 t/m³ for plastic clay and kaolinite clay, and 1.69 t/m³ for sandy clay.
11. Grade estimates were checked visually against the input data. Statistics for kriged estimates and a check estimate using the inverse distance weighting method was completed, together with swath plots.
12. Assignment of the Mineral Resource classification was completed, considering the confidence in the geological interpretation of the mineralisation, drillhole spacing, and estimation quality. Ausrocks classified the Mineral Resource into Measured, Indicated and Inferred categories.
13. The Mineral Resource was reported using the cut-off criterion of 23% Al_2O_3 for the sandy clay horizon and no cut-off for the remaining four clay horizons after considering plausible mining, processing, and economic parameters to demonstrate that there are reasonable prospects for eventual economic extraction.

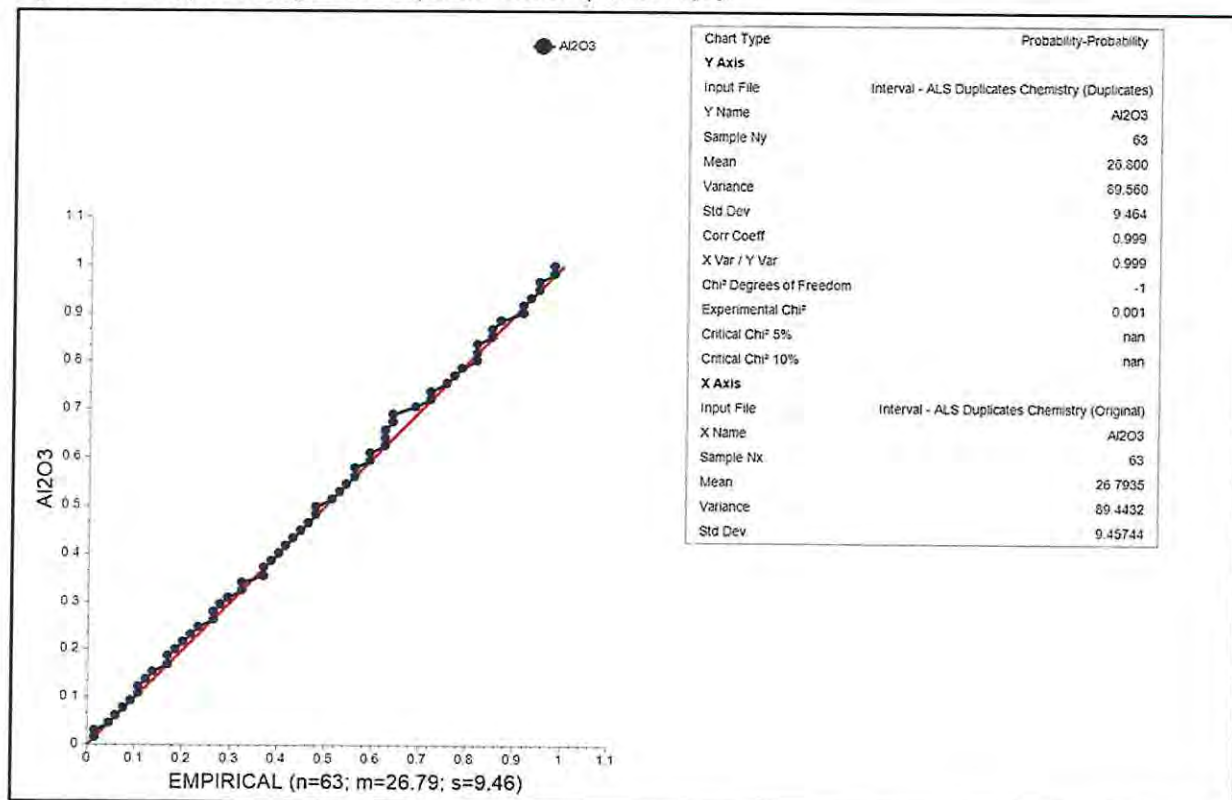
8.2 Data Inputs and QA/QC

Derisk considers that the drillhole data inputs are robust.

Derisk considers that the QA/QC protocols implemented by Rock-Ex and the statistical analysis of QA/QC data completed by Ausrocks are adequate but notes that no blanks were used and no check analyses were completed at an umpire laboratory.

Figure 8-1 presents the results of the 63 Al_2O_3 assays comparing the primary sample interval with the blind field duplicate, illustrating a very good correlation over all Al_2O_3 grade ranges. CRM checks to assess analytical precision showed acceptable results with the majority of analyses reporting within two standard deviations of the expected Al_2O_3 results.

Figure 8-1. Q-Q plot of original and duplicate field samples for Al_2O_3 .



Source: Ausrocks, 2022.

The raw data distribution for Al_2O_3 and the key impurities of Fe_2O_3 , SiO_2 , TiO_2 and LOI were analysed by Ausrocks and histograms plotted. The results are summarised below.

- Al_2O_3 – The assayed data has a range of values from 5.05% to 49.27% with a mean of 28.98%.
- Fe_2O_3 – The assayed data for has a range of values from 0.13% to 49.0% with a mean of 3.74%.
- SiO_2 – The assayed data has a range of values from 3.19% to 87.7% with a mean of 53.33%.
- TiO_2 – The assayed data has a range of values from 0.31% to 16.5% with a mean of 1.99%.
- LOI – The measured data has a range of values from 2.65% to 28.02% with a mean of 11.39%.

8.3 Domaining

Geological interpretation of drilling data indicates that the plastic clay, kaolinite clay, and sandy clay sequence is folded into a series of northeast trending domal anticlines with associated synclines. The amplitude and frequency of the folded structures decrease away from the outcropping bauxitic clays to the southeast.

The better kaolinite clay horizon with low iron, under up to 10 m of bauxitic clay and grey plastic clay overburden is centred on the intersection of long section 315,850 mE and cross section 7,146,700 mN. To the southwest is a smaller anticlinal dome centred on holes TDAC073, 074, 078, and 079. To the southeast there is a lower amplitude anticline between TDAC069 and 104. The kaolinite clay in this zone is dominated by a higher iron chemistry of 0.5% to 2.0% Fe_2O_3 .

Derisk considers that the geological interpretation developed by Rock-Ex and Ausrocks is robust.

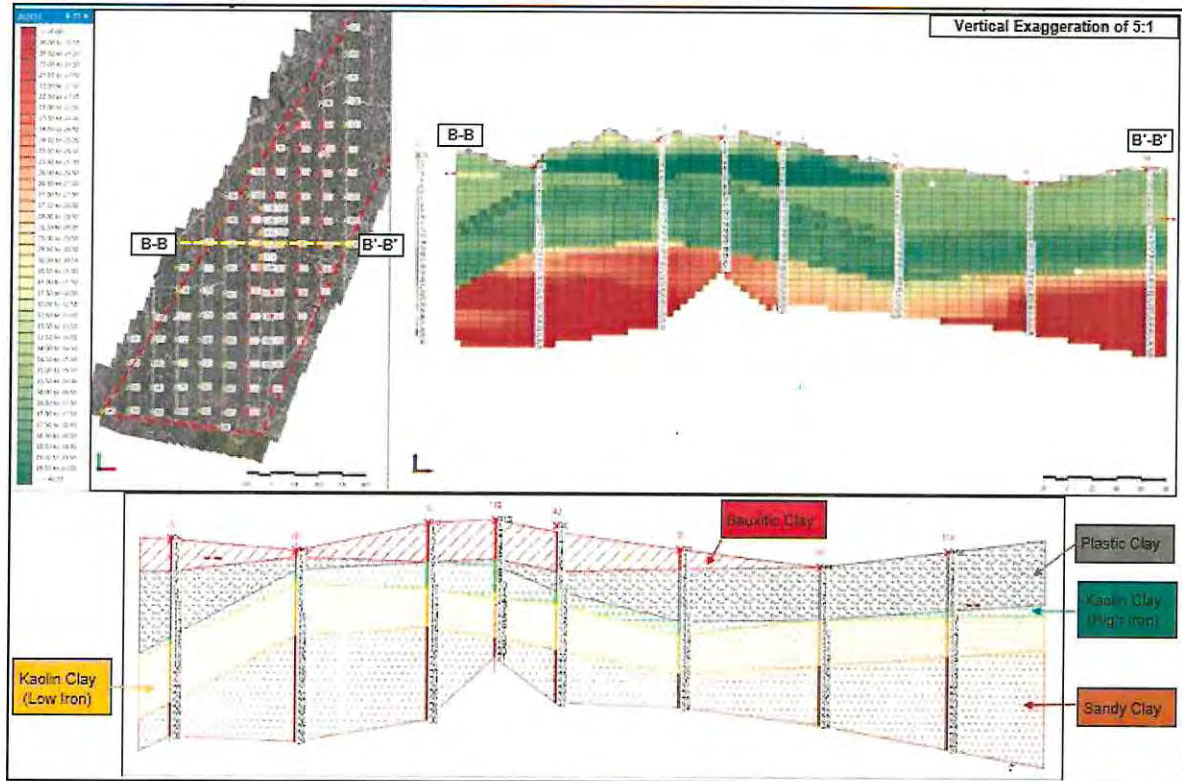
8.4 Estimation

Ausrocks completed a variography analysis of the data and used the results of this assessment to inform an OK estimate of all grade parameters. However, the compositing approach and search parameters used by Ausrocks are not documented and therefore it is not possible to review the veracity of these parameters.

Figure 8-2 and Figure 8-3 present a cross section and long section respectively through the deposit illustrating the drillholes, geological interpretation, and Al_2O_3 grade distribution as modelled by Ausrocks. These

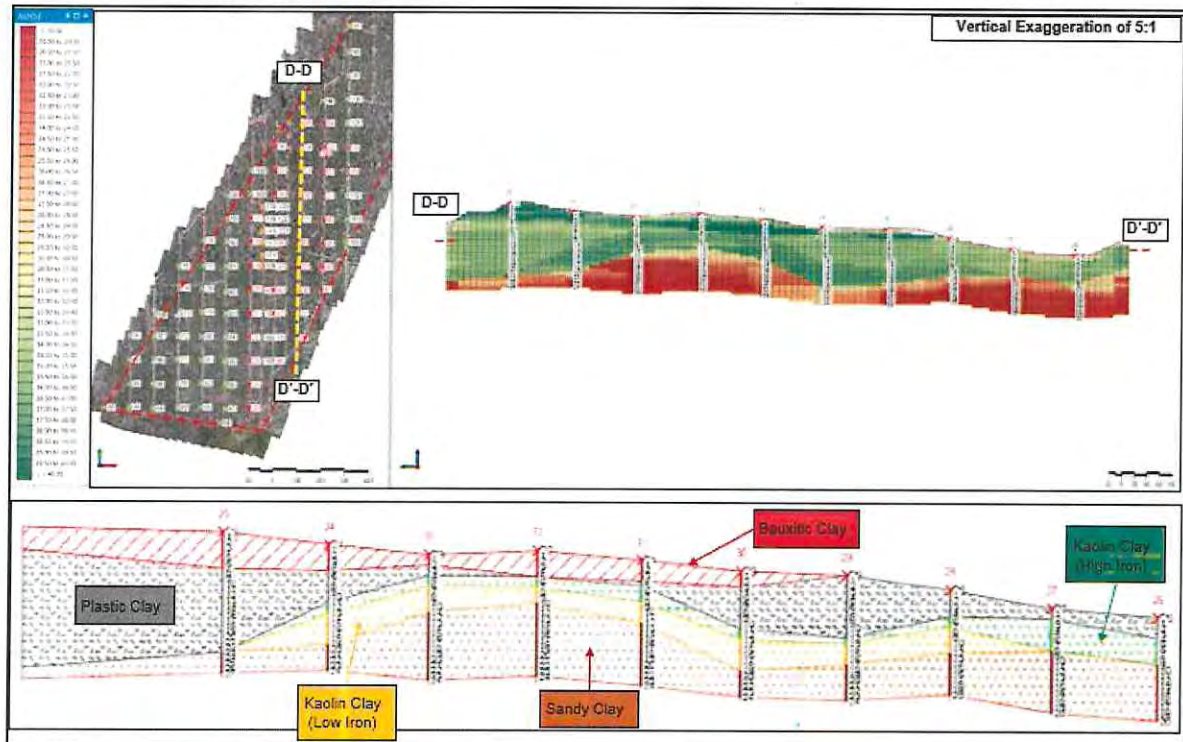
diagrams clearly show that Ausrocks used lithology boundaries to control grade estimation within the five clay horizons.

Figure 8-2. Drilling, geological interpretation and alumina estimate – Section B-B.



Source: Ausrocks, 2022.

Figure 8-3. Drilling, geological interpretation and alumina estimate – Section D-D.



Source: Ausrocks, 2022.

8.5 Bulk Density

There are only ten hand specimen samples of clay used to measure bulk density, which does not provide a statistically valid set of data for reliable density estimation; and there are no samples from the plastic clay horizon.

Average bulk density estimates of 2.05 t/m³ were applied to bauxitic clay, 1.74 t/m³ for plastic clay and kaolinite clay, and 1.69 t/m³ for sandy clay. Whilst Derisk considers that the values used for bulk density are likely to be reasonable, the lack of an adequate database of bulk density determinations represents a moderate risk and opportunity because tonnage estimates may be under or over estimated.

8.6 Classification

Ausrocks classified the deposit into Measured, Indicated and Inferred Resource primarily based on drillhole spacing and geological continuity (Figure 8-4).

Figure 8-4. Toondoon Mineral Resource classification.



Source: Ausrocks, 2022.

To meet the requirements of a Measured Resource, drillholes had to show geological continuity between drillholes with a confirmatory spacing of 100 m x 100 m with infill holes with a minimum of one hole drilled in between each 4 x 100 m drillhole grid. To meet the requirements of an Indicated Resource, drillholes had to show geological continuity between drillholes with a reconnaissance spacing of 100 m x 100 m. To meet the requirements of an Inferred Resource, drillholes showed geological continuity between drillholes with a reconnaissance spacing of 100 m x 100 m but had limited cross sectional control e.g., two or three drillholes in cross section.

Derisk considers this general approach is reasonable for this mineralisation style, but considers that the lack of adequate bulk density data means that there should be no Measured Resource.

8.7 Mineral Resource

Ausrocks estimated Mineral Resources for all five clay horizons and reported clay resources above a cut-off criterion of 23% Al_2O_3 for the sandy clay horizon and no cut-off criterion for the remaining four horizons.

The choice of 23% Al_2O_3 for the sandy clay horizon was determined from the results of the limited screening tests of this material.

Kalotech notes that the bauxitic clay is characterised by a high alumina, low silica, high red-brown hematite content, and high LOI. If used for bauxite the entire material will be dry screened recovering the pisolitic material, but it could also be used in the production of manufactured zeolite due to its high alumina:silica ratio. Consequently, Kalotech considers that there is no requirement to impose a minimum cut-off criterion for Mineral Resource reporting of this horizon.

Both the plastic clay horizon and the kaolinitic clay horizons are naturally high in Al_2O_3 and grade-tonnage curves for these horizons indicate very little material with an Al_2O_3 content of less than 32%.

Derisk considers that the cut-off criterion is reasonable and defensible.

Total clay Mineral Resources as at 31 March 2022 reported by Ausrocks are 23.89 Mt, comprising 7.73 Mt of Measured Resource, 13.76 Mt of Indicated Resource, and 2.40 Mt of Inferred Resource. Table 8-1 summarises the Measured Resource, Table 8-2 summarises the Indicated Resource and Table 8-3 summarises the Inferred Resource for the Project.

Table 8-1. Measured Resource as at 31 March 2022 reported above a cut-off criterion of 32% Al_2O_3 .

Lithology	DBD (t/m ³)	Tonnes (Mt)	Al_2O_3 (%)	Fe_2O_3 (%)	SiO_2 (%)	TiO_2 (%)	K_2O (%)	Loss on Ignition (%)
Bauxitic clay	2.05	1.53	38.81	13.86	21.92	4.53	0.06	20.07
Plastic clay	1.74	2.40	35.45	4.98	41.39	3.38	0.02	14.20
Kaolinite clay (high iron)	1.74	0.88	36.79	1.92	44.92	2.19	0.05	13.63
Kaolinite clay (low iron)	1.74	1.57	37.48	0.41	46.50	1.59	0.12	13.43
Sandy clay	1.69	3.16	26.79	0.73	61.24	1.21	0.05	9.52
TOTAL		7.73						

Source: Ausrocks, 2022.

Table 8-2. Indicated Resource as at 31 March 2022 reported above a cut-off criterion of 32% Al_2O_3 .

Lithology	DBD (t/m ³)	Tonnes (Mt)	Al_2O_3 (%)	Fe_2O_3 (%)	SiO_2 (%)	TiO_2 (%)	K_2O (%)	Loss on Ignition (%)
Bauxitic clay	2.05	3.09	37.04	16.05	22.62	4.19	0.05	19.43
Plastic clay	1.74	4.56	35.22	4.84	42.09	3.15	0.03	14.06
Kaolinite clay (high iron)	1.74	1.66	36.48	2.32	45.24	1.85	0.08	13.49
Kaolinite clay (low iron)	1.74	1.99	37.57	0.40	46.43	1.58	0.12	13.41
Sandy clay	1.69	2.46	26.10	0.76	62.15	1.21	0.05	9.25
TOTAL		13.76						

Source: Ausrocks, 2022.

Table 8-3. Inferred Resource as at 31 March 2022 reported above a cut-off criterion of 32% Al_2O_3 .

Lithology	DBD (t/m ³)	Tonnes (Mt)	Al_2O_3 (%)	Fe_2O_3 (%)	SiO_2 (%)	TiO_2 (%)	K_2O (%)	Loss on Ignition (%)
Bauxitic clay	2.05	0.99	30.73	27.86	22.44	3.19	0.03	15.18
Plastic clay	1.74	0.89	34.19	5.88	42.41	3.55	0.03	13.31
Kaolinite clay (high iron)	1.74	0.19	34.81	6.00	44.02	1.46	0.15	13.07
Kaolinite clay (low iron)	-	-	-	-	-	-	-	-
Sandy clay	1.69	0.33	28.04	2.22	57.93	1.19	0.06	10.12
TOTAL		2.40						

Source: Ausrocks, 2022.

9 TECHNICAL STUDIES AND DEVELOPMENT OPTIONS

The Mineral Resource for Toondoon includes a layer of high-quality kaolinite clay with low iron content comprising 1.57 Mt of Measured Resource and 1.99 Mt of Indicated Resource estimated using a dry bulk density of 1.74 t/m³. Derisk considers that this material is potentially suitable for a mining and direct shipping operation with on-site processing limited to solar drying, crushing and bagging. The remaining Mineral Resource is potentially suitable for beneficiation to produce a saleable kaolin product or as a feedstock to Zeotech's synthetic zeolite process.

Derisk has completed a high-level conceptual study of development options for the Project. The assumed strategy is for a direct shipping operation, mining the economically viable parts of the high-quality/low-iron kaolinite clay resource and stockpiling other clay material that would be removed as overburden for future processing or for feedstock to the synthetic zeolite process, depending on further test work and economic studies.

9.1 Bulk Density

Conversion of in-situ Mineral Resource quantities to tonnages of dry saleable product is not a straightforward conversion for kaolin deposits. Both the in-situ moisture content and the material void content can be variable and Derisk is aware that other kaolin projects have adjusted the bulk density factors downwards as the project has progressed from initial resource estimation to the operating stage.

The in-situ DBD of the target Mineral Resource is 1.74 t/m³ at an unspecified moisture content. The mined product will be dried to a target moisture content of approximately 10% for shipping. Based on these factors, Derisk has adopted an assumed conversion factor of 1.5 dry metric tonnes (dmt) of saleable product per in-situ bank cubic metres (bcm) of Mineral Resource for the proposed direct shipping operation.

9.2 Indicative Mining Plan and Schedule

Derisk has assessed the target kaolinite clay layer to identify material with a low to moderate strip ratio that is likely to be economic for an indicative operation. Blocks 100 m x 100 m centred around the vertical drillholes have been evaluated on the basis of the relative thicknesses of the target layer and overburden to identify the most favourable strip ratios. Some higher stripping ratio blocks were included where it was necessary to provide for a systematic development of a proposed pit. A total of 29 blocks were identified for inclusion in an indicative mine plan, containing 1.78 Mbcm for 2.67 Mdmt of dry saleable product.

The selected blocks were then scheduled based on first mining blocks with a low strip ratio, which corresponds to a zone in the northeast of the main area of the deposit as shown by dark green blocks in Figure 9-1. The mine would then be developed by advancing predominately to the west, with overburden placed on the previously mined blocks. Midway through the project life, a section of the deposit would be opened up with new starter pits on both the western and eastern sides (around 7146350 mN) and this section of the mine would be developed by advancing into higher strip ratio areas. Finally, towards the end of the project life three blocks to the south of the deposit (around 7145900 mN) would be mined.

A small amount of mining loss will occur at the top boundary of the target zone as discoloured material is dug off until white kaolin is exposed. At the bottom boundary of the target zone minor dilution will occur from the progressively more-sandy clay material that contains good quality kaolin. The bottom dilution will compensate for the mining loss from the top boundary with negligible loss of quality. Therefore, Derisk has not made any adjustments for mining loss and dilution.

The list of blocks to be mined and the proposed sequencing are shown in Table 9-1 and Figure 9-1. The block number is the number of the borehole around which the block is centred.

Toondoon Mining Plan
Low Fe Kaolin Holes

● OB depth
● stripping ratio
○ hole number
● Sequence

The map displays the following data points for the Low Fe Kaolin Holes:

- OB depth** (Red dot)
- stripping ratio** (Blue dot)
- hole number** (White circle)
- Sequence** (Green dot)

Key data points and arrows:

- Block 1 (Top Right):** OB depth 13, stripping ratio 10, hole number 34, Sequence 2.2.
- Block 2 (Top Right):** OB depth 23, stripping ratio 14, hole number 37, Sequence 2.6.
- Block 3 (Top Right):** OB depth 17, stripping ratio 11, hole number 38, Sequence 1.7.
- Block 4 (Top Right):** OB depth 7, stripping ratio 2, hole number 32, Sequence 2.3.
- Block 5 (Top Right):** OB depth 7, stripping ratio 3, hole number 31, Sequence 1.4.
- Block 6 (Top Right):** OB depth 8, stripping ratio 4, hole number 50, Sequence 2.0.
- Block 7 (Top Right):** OB depth 10, stripping ratio 6, hole number 104, Sequence 1.7.
- Block 8 (Top Right):** OB depth 12, stripping ratio 9, hole number 40, Sequence 1.7.
- Block 9 (Top Right):** OB depth 13, stripping ratio 8, hole number 30, Sequence 2.2.
- Block 10 (Top Right):** OB depth 8, stripping ratio 5, hole number 49, Sequence 1.1.
- Block 11 (Top Right):** OB depth 10, stripping ratio 6, hole number 104, Sequence 1.7.
- Block 12 (Top Right):** OB depth 16, stripping ratio 19, hole number 76, Sequence 1.6.
- Block 13 (Top Right):** OB depth 5, stripping ratio 15, hole number 60, Sequence 0.6.
- Block 14 (Top Right):** OB depth 20, stripping ratio 16, hole number 59, Sequence 2.3.
- Block 15 (Top Right):** OB depth 14, stripping ratio 13, hole number 17, Sequence 2.8.
- Block 16 (Top Right):** OB depth 10, stripping ratio 12, hole number 18, Sequence 1.7.
- Block 17 (Top Right):** OB depth 6, stripping ratio 20, hole number 75, Sequence 2.0.
- Block 18 (Top Right):** OB depth 6, stripping ratio 18, hole number 78, Sequence 0.8.
- Block 19 (Top Right):** OB depth 16, stripping ratio 22, hole number 62, Sequence 1.8.
- Block 20 (Top Right):** OB depth 4, stripping ratio 17, hole number 79, Sequence 1.0.
- Block 21 (Top Right):** OB depth 11, stripping ratio 21, hole number 63, Sequence 2.2.
- Block 22 (Top Right):** OB depth 15, stripping ratio 25, hole number 20, Sequence 2.7.
- Block 23 (Top Right):** OB depth 16, stripping ratio 26, hole number 108, Sequence 2.7.
- Block 24 (Top Right):** OB depth 7, stripping ratio 23, hole number 28, Sequence 1.8.
- Block 25 (Top Right):** OB depth 5, stripping ratio 24, hole number 43, Sequence 2.5.
- Block 26 (Top Right):** OB depth 8, stripping ratio 28, hole number 82, Sequence 2.7.
- Block 27 (Top Right):** OB depth 7, stripping ratio 27, hole number 25, Sequence 1.8.
- Block 28 (Top Right):** OB depth 11, stripping ratio 29, hole number 68, Sequence 2.8.

Table 9-1. Mining blocks supporting an indicative direct shipping operation.

Sequence No	Block No	Thickness (m)	Overburden (m)	Strip Ratio (bcm:bcm)	In-situ Volume (bcm)	Dry Product (dmt)
1	33	5	6	1.2	50,000	75,000
2	32	3	7	2.3	30,000	45,000
3	31	5	7	1.4	50,000	75,000
4	50	4	8	2.0	40,000	60,000
5	49	7	8	1.1	70,000	105,000
6	104	6	10	1.7	60,000	90,000
7	122	11	8	0.7	110,000	165,000
8	30	6	13	2.2	60,000	90,000
9	40	7	12	1.7	70,000	105,000
10	34	6	13	2.2	60,000	90,000
11	38	10	17	1.7	100,000	150,000
12	18	6	10	1.7	60,000	90,000
13	17	5	14	2.8	50,000	75,000
14	37	9	23	2.6	90,000	135,000
15	60	8	5	0.6	80,000	120,000
16	59	8	20	2.5	80,000	120,000
17	79	4	4	1.0	40,000	60,000
18	78	8	6	0.8	80,000	120,000
19	76	10	16	1.6	100,000	150,000
20	75	3	6	2.0	30,000	45,000
21	63	5	11	2.2	50,000	75,000
22	62	9	16	1.8	90,000	135,000
23	28	4	7	1.8	40,000	60,000
24	43	2	5	2.5	20,000	30,000
25	20	10	15	1.5	100,000	150,000
26	108	6	16	2.7	60,000	90,000
27	25	4	7	1.8	40,000	60,000
28	82	3	8	2.7	30,000	45,000
29	68	4	11	2.8	40,000	60,000
TOTAL		6.1	10.7	1.7	1,780,000	2,670,000

The indicative mining schedule assumes a gradual ramp up of production from 50 ktpa of dry product in year 1 to the target production rate 200 ktpa of dry product in year 4. This rate is then assumed to be sustained for the rest of the LOM until full depletion in year 15, as shown in Table 9-2. This schedule assumes that Zeotech will be able to obtain relaxation of the current 10 ha limit on significant land disturbance in the EA for ML 80126 to allow the ramp up to full production.

Table 9-2. Indicative LOM schedule for direct shipping operation.

Year	Unit	Total	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Mined Resource	bcm (000)	1,780	33	67	100	133	133	133	133	133	133	133	133	133	133	133	113
Strip Ratio	bcm:bcm	1.74	1.2	1.8	1.6	1.3	1.3	1.9	1.7	2.5	1.1	1.8	1.2	2.0	1.9	1.9	2.7
Overburden	bcm (000)	3,090	40	118	156	170	179	257	226	329	152	238	162	260	248	251	304
Material Movement	bcm (000)	4,870	73	185	256	303	312	391	359	463	285	372	296	393	381	384	418
Saleable Product	dmt (000)	2,670	50	100	150	200	200	200	200	200	200	200	200	200	200	200	170

9.3 Indicative Mining Operations

The indicative mining operation is assumed to be performed by contractor and consists of the following steps:

- Bulldozer ripping of overburden if needed.
- A nominal 100 t excavator will load the overburden into 40 – 60 t articulated dump trucks for haulage to the overburden stockpiles.
- Overburden from the initial starter pit will be placed in segregated stockpiles, based on kaolin quality, to be either permanently rehabilitated or stabilised for possible future processing.
- Overburden from subsequent stages of the pit will be relocated into previous pit stages, also to be either permanently rehabilitated or stabilised for possible future processing.
- When the target clay zone is exposed:
 - Bulldozer ripping (if necessary) for excavator loading into the trucks will be done, or grader ripping in thin slices to allow the kaolin to be dried in place, then by the grader into heaps for loading trucks by a front-end loader.
 - The clay will be hauled to external drying beds, or if dry enough to the bagging plant stockpile.

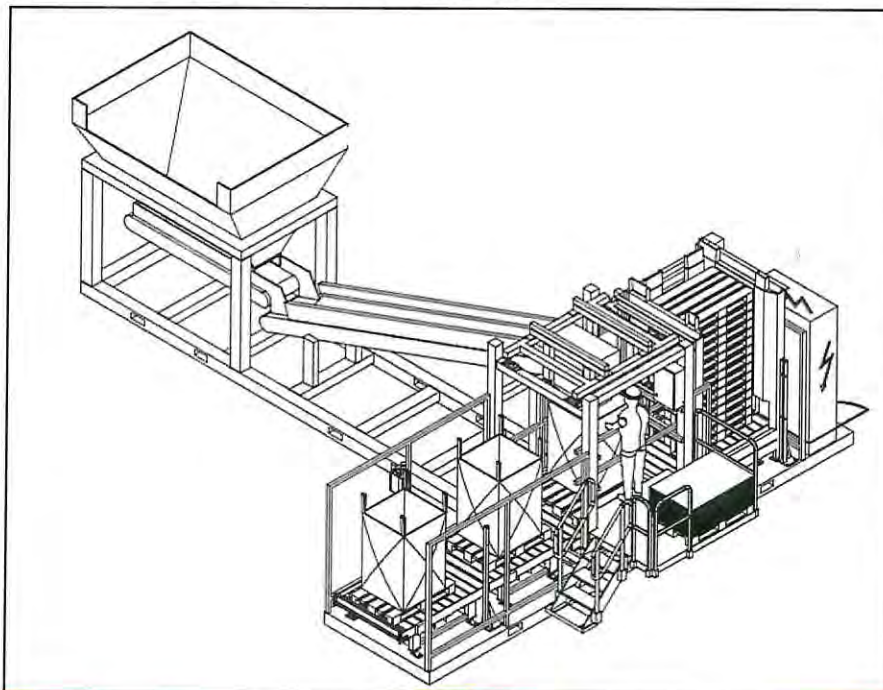
9.4 Drying and Bagging

The target moisture content for shipping is 10%, which minimises the extra cost of shipping unnecessary water whilst maintaining adequate moisture content for dust control. It is proposed to dry the as-mined kaolin product on the ground using solar heat that avoids the capital and operating costs of electric or gas-fired drying equipment. The drying can be achieved on the floor of the pit, on drying beds located outside the pit in the footprint of the future mine expansion, or on rehabilitated areas of previous stages of the pit.

During solar drying, the kaolin can be turned using the grader to accelerate drying; then when the required moisture content is achieved the kaolin can be windrowed into heaps to be loaded by a front-end loader into the trucks for delivery to stockpiles at the bagging plant. Dried kaolin stockpiles can be covered against rain.

The bagging plant will have a hopper and a feeder to a weighing system that fills nominal 1.25 m³ capacity bulk bags. A typical arrangement for the bagging plant is shown in Figure 9-2. The bulk bags can be handled four at a time using a multi fork frame on a front-end loader to a stockpile area from which the road trains can be loaded (Figure 9-3). Derisk has assumed that the mining contractor will also conduct the drying and bagging operations.

Figure 9-2. Example of bagging plant configuration.



Source: Personal Communication – Product vendor.

Figure 9-3. Example of loading bulk bags for transport.



Source: <https://www.youtube.com/watch?v=i1UjFg9LI4>

9.5 Transport and Shipping

Road transport from the mine to the port of Bundaberg is permitted for B-double road train configurations. It is envisaged that a contractor will be engaged for the road haulage operation. Approximately 6 km of new or upgraded access road will be required to allow the proposed road trains to access the site from the Munduberra-Durong Road. A truck wheel washing facility may be required adjacent to the highway to avoid tracking the bright kaolin onto the highway.

Port storage and ship loading operations will require:

- Lease of a port inventory storage area.
- Transfer of the bags from the storage area to the wharf.
- Labour and equipment to assist the ship's cranes to load the product.

9.6 Site services

9.6.1 Dewatering

No wet samples were reported from the drilling program and Derisk assumes that the overburden and the target kaolin material occur above standing groundwater. Because the overburden and target material is very fine grained, it can also be assumed that moisture in the overburden and the target material will be removed only by evaporation rather than seepage or drainage. Water management in the pit therefore will be restricted to managing rainfall, which can be done using sumps and pumps.

Derisk considers it is unlikely that excess water will need to be released to the environment because most water will be absorbed into the ground, or run-off naturally from the pre-mining natural surface or post mining rehabilitated soils. If excess water does need to be released following a rare high-impact rain event, this can be done by pumping from a sedimentation pond in a controlled manner to ensure sediment remains within permitted levels.

The cost of dewatering can be assumed to be included within the mining contract rate.

9.6.2 Water supply

A modest amount of water will be required for dust control on the access road and wheel washing, which will be minimised by using suppressant chemicals in the road dust suppression water and by recycling and filtering the wheel washing water. Water may be obtained from a water supply bore drilled into suitable rock fracture zones or identified aquifers, but if groundwater cannot be identified, water can be obtained by road tanker from Munduberra. Water harvested from rainfall can also be used to minimise the cost of purchasing water or the consumption of groundwater.

Because the water requirements are very modest, the cost of water supply can be assumed to be included within the mining contract rate.

9.6.3 Power Supply

Most of the earth moving and crushing will be done by diesel powered equipment and only the bagging plant will require electric power. Because the bagging plant is likely to be relocatable and will have a very modest power needs this may be best provided with a small diesel generator set.

Minor electric power will be needed for office and workshop facilities and this will most likely be provided by a small solar + battery facility. Mining operations are likely to occur during the daytime only and quite likely only five days a week, but road haulage will be occurring on a 24 hour a day seven days a week basis. Lighting can now be economically provided by solar + battery and LED illumination.

All the costs involved in power supply can be assumed to be included within the mining contract rate.

9.7 Marketing and Sales

High quality kaolin has a high whiteness/brightness that is indicated by low levels of contaminant elements and high fineness, which is achieved by processing. The Toondoon kaolin is notable in having low iron.

Among the publicly listed Australian peers with product similar to Toondoon kaolin are Suvo Strategic Minerals Limited (Suvo) with its Pittong mine in Victoria, and WA Kaolin Limited (WA Kaolin) with sales from the Wickepin mine in WA. Derisk notes that Andromeda Metals Limited (Andromeda) has the Great White kaolin deposit in South Australia, but this deposit contains halloysite and is not directly comparable to Toondoon.

WA Kaolin has reported a price of USD 233/t (AUD 311/t at an exchange rate of 0.75) in 2022 in the rubber and ceramic markets product delivered to Shanghai on a cost and freight (CFR) basis, with the price including shipping paid by the supplier, but excluding unloading the ship. A similar delivery basis is used for this analysis of the indicative Toondoon direct shipping operation.

Derisk considers that an indicative market price for Toondoon kaolin of USD 208/t (AUD 277/t) of contained kaolin on a direct shipping basis, with its anticipated but not confirmed high quality, is slightly conservative, but realistic. It reflects the absence of any market history or forward sales contracts. The assumed Toondoon product content of 90% kaolin gives a delivered price of AUD 250/dmt of dry direct shipping operations product.

10 VALUATION

10.1 Valuation Definitions and Approach

The VALMIN Code classifies mineral assets into one of five categories:

- Early-stage exploration projects
- Advanced exploration projects
- Pre-development projects
- Development projects
- Production projects

In accordance with these categories, Toondoon is a Pre-development project.

The VALMIN Code also provides guidance on appropriate valuation approaches for each category of mineral asset, as shown in Table 10-1.

Table 10-1. Recommended valuation approaches for different mineral assets.

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market-based	Yes	Yes	Yes	Yes
Income-based	No	In some cases	Yes	Yes
Cost-based	Yes	In some cases	No	No

Source: VALMIN Code, 2015.

A Public Report must disclose the basis of value. The VALMIN Code defines the terms Market Value and Technical Value, as follows:

- Technical Value is an assessment of a mineral asset's future net economic benefit at the valuation date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.
- Market Value is the estimated amount (or the cash equivalent of some other consideration) for which the mineral asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion.

The valuations estimated for the Project are all Market Values.

Derisk has assessed income-based and market-based valuation approaches to determine a valuation for the Project and these are summarised in the following sections. However, Derisk notes that there are very few kaolin project transactions to support a market-based approach.

10.2 Income Valuation: Discounted Cashflow

The income valuation approach is based on the proposition that the value of a mineral project can be determined by calculating the present value of future cash benefits arising from that project. The value so defined is referred to as the net present value (NPV) and is determined using the discounted cashflow (DCF) methodology, or some derivative of this methodology. This approach generates a Technical Value that is converted to a Market Value by application of a discount or premium to account for market conditions.

Derisk considers that the income valuation approach is a suitable method to value Toondoon because it is a Pre-development Project with a substantial Measured/Indicated Mineral Resource.

To derive an income valuation for Toondoon, Derisk has constructed a valuation model based on the LOM schedule presented in Table 9-2.

10.2.1 Operating Costs

Derisk has estimated likely operating costs for an indicative direct shipping operation using industry standard costs known to Derisk for similar scale operations in Australia and indicative vendor and contractor budget pricing. The LOM operating costs adopted by Derisk are summarised in Table 10-2. All costs are expressed as AUD/dmt of product shipped.

Table 10-2. Operating cost summary.

Operating Costs	Unit Cost (AUD/dmt)	LOM Cost (AUD M)
Mining (@ AUD 5/bcm)	3.33	24.4
Bags	16.00	42.7
Crushing and bagging	10.00	26.7
Site administration	5.00	13.4
Road transport	65.00	173.6
Ship loading and port charges	30.00	80.1
Shipping	45.00	120.2
Total Operating Cost	174.33	480.8

10.2.2 Capital Costs

Estimated LOM capital expenditure for an indicative operation is summarised in Table 10-3. These estimates are based on the assumptions that mining, crushing, bagging, and haulage will be done on a contract basis. A breakdown of the development capital expenditure is shown in Table 10-4.

Table 10-3. Capital cost summary.

Capital Expenditure	LOM (AUD M)
Development capex (as per Table 10-4)	8
Sustaining capex (administration equipment replacement, road maintenance and rehabilitation) at AUD 1.0 M per year after year 1	14
Closure cost	5
TOTAL CAPITAL COST	27

Table 10-4. Breakdown of development capital costs.

Activity	Items	Cost (AUD)
Site and Access	Permits, approvals and bonds	1,000,000
	Access road, intersection and wheel washing facility	3,000,000
	Fencing and signage	50,000
Mining	Contractor mobilisation and site establishment	1,000,000
	Site roads	20,000
	Drying pads	50,000
	Drainage and bunding	20,000
Processing	Modular crushing and bagging plant	300,000
	Power supply	20,000
	Rain covers for product stockpiles	50,000
	Testing laboratory	20,000
Administration	Site office, store and amenities	175,000
	Office and communications equipment	30,000
	Survey software	40,000
	Site vehicles	100,000
Port	Office and amenities	75,000
	Stockpile yard	200,000
Contingency	@ 30%	1,845,000
TOTAL		7,995,000

10.2.3 Revenue

Derisk's price forecast for an indicative operation is based on the marketing information in Section 5 and Section 9.7. Pricing and revenue projections are summarised in Table 10-5 and Table 10-6. The current State Government royalty for kaolin mines is AUD 1.00/dmt of product sold.

Table 10-5. Kaolin price and exchange rate assumptions.

Parameter	Unit	FY 2021
Current kaolin price	USD/dmt	208
Exchange rate	AUD:USD	0.75
Current kaolin price	AUD/dmt	277
Projected Toondoon kaolin price	AUD/dmt	250

Table 10-6. Toondoon project revenue assumptions.

Revenue	LOM (AUD M)
Kaolin sales @ AUD 250/dmt	667.5
Less selling costs at 5% of sales	33.4
Less Qld Govt royalties at AUD 1.00/dmt of product sold	2.7
NET REVENUE	631.5

10.2.4 Economic Analysis

The economic analysis for an indicative direct shipping operation at Toondoon is presented in Table 10-7. Australian corporate tax rate of 30% was applied to the taxable income resulting in an estimate for tax of AUD 38.6 M for the LOM. No allowances were made for depreciation or tax losses. The undiscounted after-tax cashflow is AUD 86.4 M. The selected discount rate of 10% reflects the project risk and results in a discounted after-tax cashflow of AUD 35.9 M, an internal rate of return (IRR) of 107% and a payback period of approximately 18 months (due to the minimal capital investment required).

Table 10-7. Toondoon project economic analysis.

PARAMETER		FACTOR	UNIT	TOTAL
PHYSICALS	Mined Resource		M bcm	1.78
	Stripping Ratio		bcm:bcm	1.74
	Overburden		M bcm	3.09
	Material Movement		M bcm	4.87
	Saleable Product	1.5	M dmt	2.67
COSTS	Mining	5	AUD M	24.35
	Bags	16	AUD M	42.72
	Crushing and Bagging	10	AUD M	26.70
	Site Administration	5	AUD M	13.35
	Road Transport	65	AUD M	173.55
	Ship Loading and Port	30	AUD M	80.10
	Shipping	45	AUD M	120.15
	Total Operating Cost		AUD M	480.9
	Development Capital Cost		AUD M	8.0
	Sustaining Capital Cost		AUD M	14.0
	Closure Costs		AUD M	5.0
	Total Capital Cost		AUD M	27.0
REVENUE	Sales	AUD 250	AUD M	667.50
	Selling Costs	5% of sales	AUD M	33.37
	Royalties (Qld Govt)	1	AUD M	2.67
	Net Revenue		AUD M	631.5
CASHFLOW	EBITA		AUD M	123.5
	Depreciation		AUD M	0
	Tax Losses		AUD M	0
	Taxable Income		AUD M	123.5
	Tax Payable	30%	AUD M	38.6
	Net Cashflow		AUD M	85.0
	Discounted Cashflow	10%	AUD M	35.9
	NPV_10%		AUD M	35.9
	IRR		%	107
	Payback Period		yrs	1.5

10.2.5 Sensitivity Analysis

Derisk has applied sensitivities of $\pm 5\%$, $\pm 10\%$, $\pm 15\%$ to the assumed kaolin price (Table 10-8) and the total operating costs (Table 10-9) to determine a range of values. As expected, the sensitivity to selling price produces the widest range – from AUD 6.5 M to AUD 65.3 M. The sensitivity to operating costs is only slightly less than the sensitivity to selling price, producing a slightly narrower range.

Table 10-8. Sensitivity to selling price.

Factor	Base Case						
	-15%	-10%	-5%	100%	+5%	+10%	+15%
Price	213	225	238	250	263	275	288
NPV_10 (AUDM)	6.5	16.3	26.1	35.9	45.7	55.5	65.3
IRR (%)	30%	54%	78%	107%	143%	190%	254%
Payback (yrs)	1.9	1.8	1.6	1.6	1.5	1.4	1.3

Table 10-9. Sensitivity to total operating costs.

Factor	Base Case						
	+15%	+10%	+5%	100%	-5%	-10%	-15%
Opex (AUDM)	553	529	505	481	457	433	409
NPV_10 (AUDM)	13.7	21.1	28.5	35.9	43.3	50.7	58.2
IRR (%)	47%	65%	85%	107%	133%	165%	204%
Payback (yrs)	1.8	1.7	1.6	1.6	1.5	1.4	1.4

10.2.6 Income Valuation Summary

Taking all factors into account, Derisk's income-based valuation for an indicative direct shipping operation at Toondoon at an effective date of 31 March 2022 ranges from AUD 6.5 M to AUD 65.3 M, with a preferred value of AUD 35.9 M, which is the mid-point of the range. Derisk considers that this fairly represents the current value of the asset as a pre-development project.

The LOM schedule considered for the income-based valuation does not mine all of the reported Mineral Resource. Consequently, the unmined Mineral Resource also needs to be valued. This material is valued using a market-based approach (Section 10.3).

10.3 Market Valuation: Comparable Transactions

To support the valuation of the Project using the income approach, a comparable transaction valuation method was used. This method is a market-based approach, adapted from the real estate approach to valuation. The transactions deemed to be analogous to the mineral asset being valued are used to determine a unit price (e.g., dollar per km² or dollar per tonne metal) for the asset being valued. This approach is widely used throughout the minerals industry, but the valuer must consider that this approach is retrospective and therefore does not consider current and future commodity or other market price movements. This approach usually generates a Market Value because it relates value to actual market-based transactions, although a discount or premium to account for current market conditions may be applied.

Derisk considers that the market-based valuation approach, whilst relevant to value Toondoon, should not be the primary valuation method where there is good quality information to support an income-based valuation approach. As such, Derisk has used this method to provide a secondary check on the valuation derived from a DCF analysis of the indicative Toondoon direct shipping operation. For the remaining resource inventory, Derisk considers that a comparable transaction valuation method is an appropriate primary valuation method although there are very few kaolin transactions to draw upon.

As noted above, two of the main comparable transaction approaches are to value the area of the tenement and value the contained metal or mineral product identified to date on the tenement. For Toondoon, the approach valuing the contained product is the most appropriate option because there is a well-defined Mineral Resource and details to support an indicative mining operation.

10.3.1 Proposed Transaction Terms

On 23 August 2021, Zeotech announced to the market that it had executed a term sheet to acquire the project. The consideration for the acquisition will be the issue of 37 M fully paid ordinary shares in Zeotech and reimbursement of costs up to AUD 350,000 in relation to expenditures on ML 80016, EPM 27395 and EPM 27866.

Based on these terms, as at 27 August 2021 when the Zeotech share price was AUD 0.085, the acquisition was valued at approximately AUD 3.5 M. As at 31 March 2022 (the effective date of this valuation) the Zeotech share price was AUD 0.060, valuing the acquisition at approximately AUD 2.6 M.

Derisk notes that as at 23 August 2021, The Mineral Resource for the Project had not been updated and was reported to total 20.9 Mt comprising 2.3 Mt of bauxitic clay, 4.9 Mt of grey plastic clay, 5.1 Mt of white kaolin clay, and 8.4 Mt of sandy clay. In January 2022, a new Mineral Resource was reported for the Project of 23.9 Mt. The estimated costs associated with the exploration program and new resource estimate completed after the agreement was announced are included in the proposed transaction (AUD 350,000).

10.3.2 Comparable Transactions

There have been a number of publicly reported transactions involving kaolinite deposits or other forms of clay deposit during the last three years. The majority of these transactions are for projects where there are no established Mineral Resources or Ore Reserves e.g.:

- The acquisition by Frontier Resources Ltd of the Koolya kaolin prospect in WA.
- The acquisition by PepinNini Minerals Limited of the Hillside kaolin prospect in SA.
- The acquisition by Red Mountain Mining Ltd of the Mt Kokeby kaolin prospect in WA.
- The acquisition by Metalsearch Limited of the Cynthia kaolin deposit in Qld.

In November 2021, Andromeda announced a takeover of the South Australian kaolin-related interests of Minotaur Exploration Limited. The main assets were a 25% interest in the Great White Kaolin Project and a 50% interest in Natural Nanotech Pty Ltd to consolidate Andromeda's ownership to 100% of each. At the time of the announcement, the Great White project had a reported whole rock Mineral Resource of approximately 35 Mt of kaolinite and halloysite. Based on the publicly reported details, it is not possible to extract a value for the Great White project.

In November 2020, Suvo announced that it was acquiring the Pittong kaolin mining and processing operation located 40 km west of Ballarat in Victoria. Suvo will acquire Mircal Australia Pty Ltd (Mircal), and its two wholly owned subsidiaries, Kaolin Australia Pty Ltd (the owner of the Pittong and Lal Lal mines and the Trawalla deposit) and Imerys Minerals Australia Pty Ltd (the owner of the Pittong processing plant).

The publicly announced terms were that Suvo will pay AUD 2.0 M to Mircal and replace environmental bonds to the value of AUD 1.85 M. The assets include:

- Pittong plant, which has a throughput capacity of up to 35-40 ktpa of a range of kaolin products for the paper, paper and board, and specialty minerals markets. Current mine feed is supplied from the Pittong and Lal Lal Mines.
- Pittong mine, an operating mine producing in the order of 90% of plant feedstock.
- Lal Lal mine, an operating mine producing limited feedstock for specific product applications.
- Trawalla deposit, a greenfield site.

As at 31 December 2019, Suvo reported a Mineral Resource and Ore Reserve in accordance with the 2001 edition of the Pan European Reporting Code. A Probable Reserve of 1.14 Mt of final product was reported together with an Indicated Resource of 4.2 Mt of final product (with the resource reported exclusive to the reserve). Based on an effective purchase price of AUD 3.85 M, the acquisition equates to a unit price of AUD 0.73/t of final product inclusive of the resource and reserve.

The Pittong operation includes a process plant and an operating mine with an Ore Reserve and additional Mineral Resource. It is not directly comparable to Toondoon, which has no Ore Reserve and initially will be operated as a direct shipping operation with minimal on-site beneficiation.

Derisk has assigned a valuation for each clay horizon contributing to the total Mineral Resource reported as at January 2022 based on assumed yields indicated to date, as summarised in Table 10-10. Derisk has also applied a discount on the unit price calculated for the Pittong transaction to account for the undeveloped status of the Toondoon project.

Table 10-10. Valuation of total Mineral Resource derived from yield and unit value determination.

Horizon	Total Mineral Resource (Mt)	Assumed Yield (%)	Product (Mt)	Product Price (AUD/t)	Valuation Range (AUD M)
Bauxite clay	5.61	0	0	-	-
Plastic clay	7.84	80	6.27	0.25 to 0.50	1.57 to 3.14
Kaolinite clay	6.29	80	5.03	0.25 to 0.50	1.26 to 2.52
Sandy clay	4.14	50	2.07	0.25 to 0.50	0.52 to 1.04
TOTAL	23.89	-	13.37		3.34 to 6.69

Using this approach results in a total valuation ranging from AUD 3.3 M to AUD 6.7 M, with a preferred value of AUD 5.0 M, which is the mid-point of the range. Table 10-11 summarises the valuation of the remnant Mineral Resource after mining of the direct shipping material, resulting in a valuation ranging from AUD 2.7 M to AUD 5.5 M, with a preferred value of AUD 4.1 M, which is the mid-point of the range.

Table 10-11. Valuation of remnant Mineral Resource derived from yield and unit value determination.

Horizon	Total Mineral Resource (Mt)	Assumed Yield (%)	Product (Mt)	Product Price (AUD/t)	Valuation Range (AUD M)
Bauxite clay	5.61	0	0	-	-
Plastic clay	7.84	80	6.27	0.25 to 0.50	1.57 to 3.14
Kaolinite clay	3.19	80	2.55	0.25 to 0.50	0.64 to 1.28
Sandy clay	4.14	50	2.07	0.25 to 0.50	0.52 to 1.04
TOTAL	20.78	-	10.89		2.72 to 5.45

10.4 Valuation Summary

The three valuation scenarios are summarised in Table 10-12. Derisk considers that the income valuation approach is the most appropriate valuation methodology to value the kaolin included in the indicative direct shipping operation scenario. The remnant mineralisation has been valued using the market-based comparable transactions approach to generate a total Project valuation. A check valuation for the entire Project has been estimated using comparable transactions that delivers a narrower range of valuations with a much lower preferred valuation. Thirdly, the proposed acquisition terms announced in August 2021 results in the lowest valuation.

Table 10-12. 31 March 2022 valuation scenarios.

Option	Valuation Approach	Minimum Value (AUD M)	Maximum Value (AUD M)	Preferred Value (AUD M)
Direct shipping scenario	Income	6.5	65.3	35.9
Remnant January 2022 Mineral Resource	Market	2.7	5.4	4.1
Combined valuation for Toondoon	-	9.2	70.7	40.0
Total January 2022 Mineral Resource	Market	3.3	6.7	5.0
Proposed acquisition terms	Market	2.6	3.5	3.1
PREFERRED VALUATION		7.8	54.7	31.2

Derisk concludes that an appropriate valuation for the Toondoon Project should be weighted 75% using the income-based approach and valuing the remnant mineralisation using the market-based approach – and a 25% weighting of the total Mineral Resource using the market-based approach. Based on this approach, the Toondoon project is valued from AUD 7.8 M to AUD 54.7 M, with a preferred value of AUD 31.2 M. Whilst this ranges is wide, Derisk considers that it reflects the Project's sensitivity to commodity prices.

11 RISKS AND OPPORTUNITIES

Toondoon is a greenfields project with significant Mineral Resources of high-quality kaolinite clay. The risk and opportunity assessment focusses on the conceptual direct shipping operation described in Section 9 and options for the expansion or extension of the project by possible processing of the remaining Mineral Resource.

Project risks and opportunities have been subjectively assessed based on the likelihood of occurrence, and on the consequence of an event occurring, resulting in a risk/opportunity matrix with three levels i.e., high, medium, and low. Risks and opportunities have been assessed using two categories as follows:

- Risks and opportunities associated with estimation of Mineral Resources.
- Risks and opportunities associated with mining factors, processing and metallurgical factors, infrastructure factors, economic factors, marketing factors, legal factors, environmental factors, and social and government factors.

11.1 Risk Assessment

Derisk has identified two high risks, three medium risks and four low risks as defined in Table 11-1.

Table 11-1. Project risks.

Risk Area	Description	High	Medium	Low
Rating		✓	✓	✓
Mineral Resources	The DBD data is inadequate to reliably determine the different average bulk densities of the five clay horizons.		✓	
Mining Factors	Significant rainfall events may cause disruption to the mining operations and solar drying of the product.			✓
Processing and Metallurgy Factors	-			
Infrastructure Factors	-			
Economic Factors	Commodity prices. Profitability is very sensitive to the selling price, which is untested for Toondoon product. Toondoon will be adversely affected financially from any short-term drop in the realised selling price, as well as any longer-term sustained lower prices.	✓		
	Significant increases in the cost of diesel fuel will result in higher costs for mining operations and haulage of product to the port.			✓
Marketing Factors	If the product quality is not maintained, there may be a reduction in demand for the product and/or a reduction in the selling price.		✓	
Legal Factors	-			
Environmental Factors	The project tenements have minor overlapping of Environmentally Sensitive Areas and Protected Plant trigger areas that may impact future exploration.			✓
Social and Government Factors	The LOM schedule beyond year 1 is dependent on approval to convert the existing ML to allow disturbance of more than 10 ha of land.	✓		
	The direct shipping operation is dependent on haulage of the product on public roads. Maintaining community and government support is crucial.		✓	
	The project tenements lie within the Restricted Area for the proposed Auburn River Dam site, but this does not overlap with the ML or likely area of operations.			✓

11.2 Opportunities

Derisk has identified two high opportunities and two medium opportunities as defined in Table 11-2.

Table 11-2. Project opportunities.

Opportunity Area	Description	High	Medium	Low
Rating		✓	✓	✓
Mineral Resources	The Mineral Resource is open in all directions offering an opportunity to expand the resource base within the ML and surrounding EPMs.	✓		
Mining Factors	-			
Processing and Metallurgy Factors	The development of the manufactured zeolite technology may add significant value to the project, which is not considered in the proposed direct shipping operation scenario.		✓	
Infrastructure Factors	-			
Economic Factors	Profitability of the Toondoon operation will be sensitive to the kaolin price and will financially benefit from any short-term spikes in the price, as well as any longer-term sustained higher prices.	✓		
Marketing Factors	Toondoon has operational flexibility that will allow it to readily adapt to changeable market requirements and opportunities. The deposit includes a range of clay ore types with different properties that can be mined, processed and sold into different product markets.		✓	
Legal Factors	-			
Environmental Factors	-			
Social and Government Factors	-			

12 CONCLUSIONS

Derisk considers that the geological setting, weathering profile, and clay horizon interpretation developed for the Toondoon project is reasonable and defensible. The two exploration programs completed by Kalotech appear to have been well designed and executed. The Mineral Resource estimate appears to have been completed appropriately, although Derisk considers that documentation of the estimate is inadequate.

Derisk considers that there are inadequate DBD measurements (ten) to support a Measured Resource category and more measurements across the Project area are required to develop a robust understanding of the DBD distribution, both spatially and with depth.

Toondoon has a defined Mineral Resource. Derisk considers that the income valuation approach is the most appropriate valuation methodology to value the mineralisation included in the indicative mining scenario. The remnant mineralisation was valued using the market-based comparable transactions approach to generate a total Project valuation. A check valuation for the entire Project was also estimated using comparable transactions.

Using an income-based valuation approach and a market-based valuation approach, at an effective date of 31 March 2022 Derisk concludes that an appropriate valuation for the total Toondoon Project ranges from AUD 7.8 M to AUD 54.7 M, with a preferred value of AUD 31.2 M. Whilst this range is wide, Derisk considers that it reflects the Project's sensitivity to commodity prices.

13 PRACTITIONER AND SPECIALIST CONSENTS

13.1 Director and Specialist

I, Mark Berry, confirm that I am a Principal Consultant and Director of Derisk and that I directly supervised the production of the report titled Independent Technical Specialist Report of the Toondoon Kaolin Project, Queensland, with an effective date of 31 March 2022.

I confirm that my firm's directors, shareholders, employees, and I are independent of Zeotech Limited (the Company), its directors, substantial shareholders, and their associates. In addition, my firm's directors, substantial shareholders, employees, and I have no interest, direct or indirect, in the Company, its subsidiaries, or associated companies, and will not receive benefits other than remuneration paid to Derisk in connection with the independent valuation report. Remuneration paid to Derisk is not dependent on the findings of this report.

I also confirm that I have contributed to the technical assessment and valuation reported in this report. I am a Member of The Australian Institute of Geologists and have more than 40 years of industry experience. I have not been found in breach of any relevant rule or law of that institute, and I am not the subject of any disciplinary proceeding that I am aware of.

I have read and understood the requirements of the VALMIN Code and the JORC Code. I am a Specialist as defined by the VALMIN Code, having more than the minimum experience relevant to the activity for which I am accepting responsibility.

I have reviewed this report, to which this Consent Statement applies, and I consent to the release of this report.

THE SIGNATORY HAS GIVEN
PERMISSION FOR THEIR SIGNATURE
TO BE USED IN THIS DOCUMENT



Signature of Director and Specialist

6 May, 2022

Date

13.2 Practitioner/Specialist

I, Malcolm Dorricott, confirm that I am a Principal Mining Consultant with Derisk and that I am the Practitioner and Specialist taking overall responsibility for the technical assessment and valuation in the report titled Independent Technical Specialist Report of the Toondoon Kaolin Project, Queensland, with an effective date of 31 March 2022.

I am a Fellow of The Australasian Institute of Mining and Metallurgy and have more than 50 years of mining industry experience including more than 15 years of relevant experience. I have not been found in breach of any relevant rule or law of that institute, and I am not the subject of any disciplinary proceeding that I am aware of.

I have read and understood the requirements of the VALMIN Code and the JORC Code. I am a Practitioner and a Specialist as defined by the VALMIN Code, having more than the minimum experience relevant to the activity for which I am accepting responsibility.

I have reviewed this report, to which this Consent Statement applies, and I consent to the release of this report.



Signature of Practitioner and Specialist

6 May, 2022

Date

13.3 Specialist

I, Paul Griffin, confirm that I am an Associate Principal Mining Consultant with Derisk and that I am a Specialist contributing to the technical assessment and valuation in the report titled Independent Technical Specialist Report of the Toondoon Kaolin Project, Queensland, with an effective date of 31 March 2022.

I am a Member of The Australasian Institute of Mining and Metallurgy and have more than 40 years of mining and construction materials industry experience including more than 10 years of relevant experience. I have not been found in breach of any relevant rule or law of that institute, and I am not the subject of any disciplinary proceeding that I am aware of.

I have read and understood the requirements of the VALMIN Code and the JORC Code. I am a Specialist as defined by the VALMIN Code, having more than the minimum experience relevant to the activity for which I am accepting responsibility.

I have previously carried out mineral processing laboratory testwork for Kalotech and have provided mineral processing advice. I have also previously provided concept level operating cost advice to Zeotech. Derisk has reviewed my work for both Kalotech and Zeotech and concluded there is no conflict of interest.

I have reviewed this report, to which this Consent Statement applies, and I consent to the release of this report.

THE SIGNATOR HAS GIVEN
PERMISSION FOR THE SIGNATURE
TO BE USED IN THE DOCUMENT

Signature of Specialist

6 May, 2022

Date

14 REFERENCES

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15 DEFINITIONS AND GLOSSARY

Table 15-1 provides a list of the definitions used in this report together with a glossary of relevant terms and abbreviations.

Table 15-1. Definitions and glossary of terms.

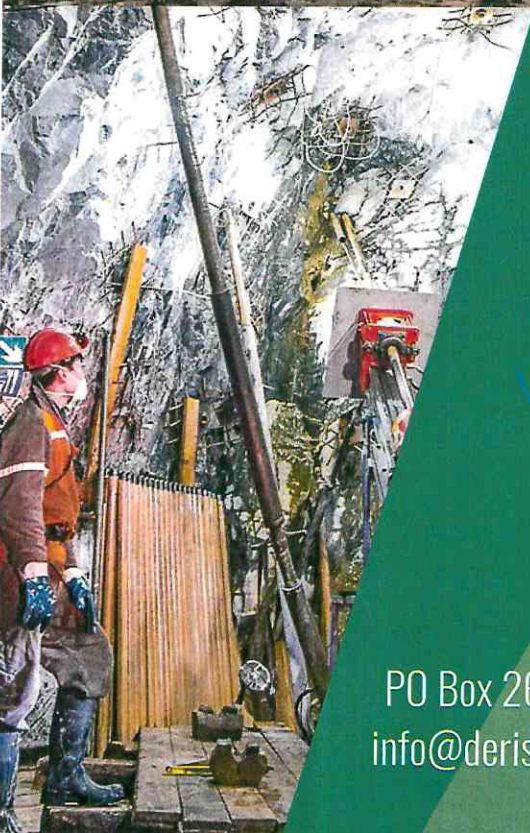
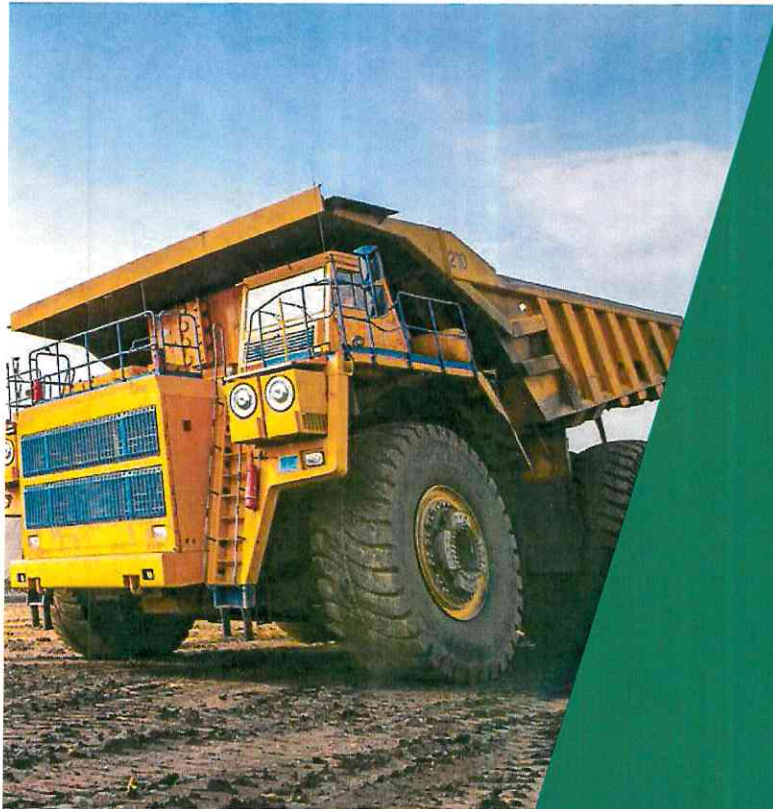
Term	Description
ABL	Australian Bauxite Limited
ALS	ALS Global Brisbane laboratory
Andromeda	Andromeda Metals Limited
AUD	Australian Dollar
Ausrocks	Ausrocks Pty Ltd
bcm	bank cubic metres
CFR	cost-and-freight
Competent Person (as defined by the JORC Code)	A minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a Recognised Professional Organisation, as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking.
CRM	certified reference material
DBD	dry bulk density
DCF	DISCOUNTED cashflow
Derisk	Derisk Geomining Consultants Pty Ltd
dmt	dry metric tonnes
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBT	Earnings before tax
EPM	Exploration Permit for Minerals
Exploration Results (as defined by the JORC Code)	Data and information generated by mineral exploration programmes that might be of use to investors, but which do not form part of a declaration of Mineral Resources or Ore Reserves.
FAusIMM	Fellow of the Australasian Institute of Mining and Metallurgy
FOB	free-on-board
GPS	global positioning system
ha	hectare(s)
HPA	High Purity Alumina
hr	hour(s)
IER	Independent Expert Report
IRR	internal rate of return
ITSR	Independent Technical Specialist Report
JORC	Joint Ore Reserves Committee
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 edition, effective December 2012
Kalotech	Kalotech Pty Ltd
kg	kilogram(s)
km	kilometre(s)
kt	kilotonne
ktpa	Kiloton per annum
kW	kilowatt
kWp/t	kilowatt hours per tonne

Term	Description
l	litre
LHS	left hand side
LOI	loss-on-ignition
LOM	Life-of-mine
m	metre(s)
m ²	square metre(s)
m ³	cubic metre(s)
M	million
MAIG	Member of the Australian Institute of Geoscientists
MAusIMM	Member of the Australasian Institute of Mining and Metallurgy
Mineral Resource (as defined by the JORC Code)	A concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Mircal	Mircal Australia Pty Ltd
ML	mining lease
mm	millimetre(s)
Modifying Factors (as defined by the JORC Code)	Considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.
Moore	Moore Australia
Mt	million tonnes
NPAT	net profit after tax
NPV	net present value
OH&S	occupational health and safety
OK	ordinary kriging
Opex	Operating expenses
Ore Reserve (as defined by the JORC Code)	The economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at prefeasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable and Proved Ore Reserves.
PFS	prefeasibility study
QA/QC	quality assurance and quality control
RC	reverse circulation
RHS	right hand side
RL	reduced level
ROM	run-of-mine
Suvo	Suvo Strategic Minerals Limited
t	tonne(s)
t/hr	tonnes per hour
t/m ³	tonnes per cubic metre
USD	United States Dollar
VALMIN Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code), 2015
WA Kaolin	WA Kaolin Limited
W:O	waste to ore stripping ration

Term	Description
XRD	X-ray diffraction
XRF	X-ray fluorescence
yr	year(s)
YTD	year-to-date
Zeotech	Zeotech Limited
µm	micron
>	greater than
<	less than
%	percent



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