

## **ESTRELLA RESOURCES LIMITED**

**ACN 151 155 207**

### **NOTICE OF GENERAL MEETING**

Notice is given that the Meeting will be held at:

**TIME:** 9:00am (WST)  
**DATE:** Thursday, 26 April 2018  
**PLACE:** "Mining Corporate Boardroom"  
Level 11, 216 St Georges Terrace  
PERTH WA 6000

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

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

***The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on 23 April 2018.***

**Independent Expert's Report:** Shareholders should carefully consider the Independent Expert's Report prepared for the purposes of ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the Acquisition the subject of Resolution 1 to the non-associated Shareholders. The Independent Expert has determined the Acquisition is **fair and reasonable**.

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – APPROVAL OF ACQUISITION OF 100% OF THE ISSUED CAPITAL OF CARR BOYD NICKEL PTY LTD

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

*“That for the purposes of ASX Listing Rules 10.1 and 10.11 and for all other purposes, approval is given for:*

- (a) *the Company to acquire the entire issued capital in Carr Boyd Nickel Pty Ltd (ACN 617 890 534) (**Carr Boyd**) from the Vendor on the terms of the Heads of Agreement; and*
- (b) *the Company to issue to the Vendor 42,600,000 Shares and 17,000,000 Options in the capital of the Company on the terms of the Heads of Agreement, including 9,746,880 Shares and 3,889,600 Options to John Kingswood (or his nominee),*

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

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of John Kingswood (or his nominee), the Vendor, Carr Boyd and any of their respective associates (**Resolution 1 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 1 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution. Provided the Chair is not a Resolution 1 Excluded Party, the above prohibition does not apply if:
  - (a) the proxy is the Chair; and
  - (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

**Independent Expert's Report:** Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the Acquisition the subject of this resolution to the non-associated Shareholders in the Company.

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#### 2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE – SHARES

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

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 34,000,000 Shares on the terms and conditions set out in the Explanatory Statement."*

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

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### 3. RESOLUTION 3 – ADOPTION OF EMPLOYEE SHARE OPTION PLAN

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

*"That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt the employee incentive scheme titled Employee Share Option Plan (ESOP) and for the issue of securities under that ESOP, on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
    - (i) a member of the Key Management Personnel; or
    - (ii) a Closely Related Party of such a member; and
  - (b) the appointment does not specify the way the proxy is to vote on this Resolution.
- However, the above prohibition does not apply if:
- (c) the proxy is the Chair; and
  - (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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### 4. RESOLUTION 4 – ISSUE OF OPTIONS TO STEPHEN BROCKHURST

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

*"That subject to the passing of Resolution 3, for the purposes of sections 195(4) and 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,500,000 Options to Stephen Brockhurst (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Brockhurst (or his nominee) or any of their associates (**Resolution 4 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 4 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (c) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (d) the appointment does not specify the way the proxy is to vote on this Resolution. Provided the Chair is not a Resolution 4 Excluded Party, the above prohibition does not apply if:
  - (c) the proxy is the Chair; and
  - (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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**5. RESOLUTION 5 – ISSUE OF OPTIONS TO RAY SHORROCKS**

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

*"That subject to the passing of Resolution 3, for the purposes of sections 195(4) and 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,500,000 Options to Ray Shorrocks (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Shorrocks (or his nominee) or any of their associates (**Resolution 5 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 5 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (e) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (f) the appointment does not specify the way the proxy is to vote on this Resolution. Provided the Chair is not a Resolution 5 Excluded Party, the above prohibition does not apply if:
  - (e) the proxy is the Chair; and
  - (f) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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**6. RESOLUTION 6 – ISSUE OF OPTIONS TO JOHN KINGSWOOD**

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

*"That subject to the passing of Resolution 3, for the purposes of sections 195(4) and 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,500,000 Options to John Kingswood (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Kingswood (or his nominee) or any of their associates (**Resolution 6 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 6 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (g) the proxy is either:
    - (i) a member of the Key Management Personnel; or
    - (ii) a Closely Related Party of such a member; and
  - (h) the appointment does not specify the way the proxy is to vote on this Resolution.
- Provided the Chair is not a Resolution 6 Excluded Party, the above prohibition does not apply if:
- (g) the proxy is the Chair; and
  - (h) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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## 7. RESOLUTION 7 – ISSUE OF OPTIONS TO CHRIS DAWS

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

*“That subject to the passing of Resolution 3, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,000,000 Options to Chris Daws on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Daws (or his nominee) or any of their associates (**Resolution 7 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 7 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (i) the proxy is either:
    - (i) a member of the Key Management Personnel; or
    - (ii) a Closely Related Party of such a member; and
  - (j) the appointment does not specify the way the proxy is to vote on this Resolution.
- Provided the Chair is not a Resolution 7 Excluded Party, the above prohibition does not apply if:
- (i) the proxy is the Chair; and
  - (j) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

**Dated: 23 March 2018**

**By order of the Board**

**Stephen Brockhurst**  
**Director and Company Secretary**

### **Voting in person**

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

### **Voting by proxy**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9481 0389.***

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. BACKGROUND TO THE ACQUISITION

#### 1.1 General

On 16 October 2017, the Company announced to the ASX that it had entered into a binding, conditional agreement to acquire the Carr Boyd Nickel Project (**Project**) by acquiring all of the issued shares in Carr Boyd from Apollo (**Acquisition**).

Further details of the Project are included in Section 1.3 and in the Company's announcements to the ASX on 16 and 19 October 2017; 1, 2 and 27 November 2017, 8 December 2017 and 30 January 2018.

#### 1.2 Binding Heads of Agreement

The Company entered into a binding heads of agreement on 15 October 2017 with the Vendor to give effect to the Acquisition (**Heads of Agreement**).

The principal terms of the Acquisition, as set out in the Heads of Agreement, are as follows:

##### (a) Consideration

- (i) The consideration to be paid by the Company for the Acquisition is the issue to the Vendor (or its nominee(s)) of:
  - (A) an upfront payment of \$160,000 (plus GST), which has been paid;
  - (B) 42,600,000 Shares (**Share Consideration**), valued at a deemed issue price of \$0.035 for each Share; and
  - (C) 17,000,000 unlisted Options with an exercise price of \$0.05, an expiry date 3 years from the date of issue and otherwise on the terms contained in Schedule 2 (**Option Consideration**),(together the **Consideration**).
- (ii) Approval for the Share and Option Consideration is being sought pursuant to Resolution 1 of this Notice.

##### (b) Conditions Precedent

Completion of the Acquisition is conditional upon the satisfaction (or waiver) of various conditions precedent, with the material outstanding ones being as follows:

- (i) **ESR shareholder approval:** Shareholders approving Resolution 1 at the Meeting;
- (ii) **Carr Boyd Shares:** the Carr Boyd Shares are held by the shareholders of Apollo pro-rata to their Apollo holding;

- (iii) **Warranties:** no breach of warranty occurs prior to Completion;
- (iv) **Material adverse effect:** no event, occurrence or matter, which individually or when aggregated with all such events, occurrences or matters of a similar kind, taking place at any time prior to the Completion Date which has a material adverse effect on Carr Boyd, or its business or the ability of ESR to complete the Acquisition; and
- (v) **Restriction agreements:** the Vendor executing such form of restriction agreement in respect of the Share and Option Consideration to be issued to it under the Heads of Agreement as may be required by ASX.

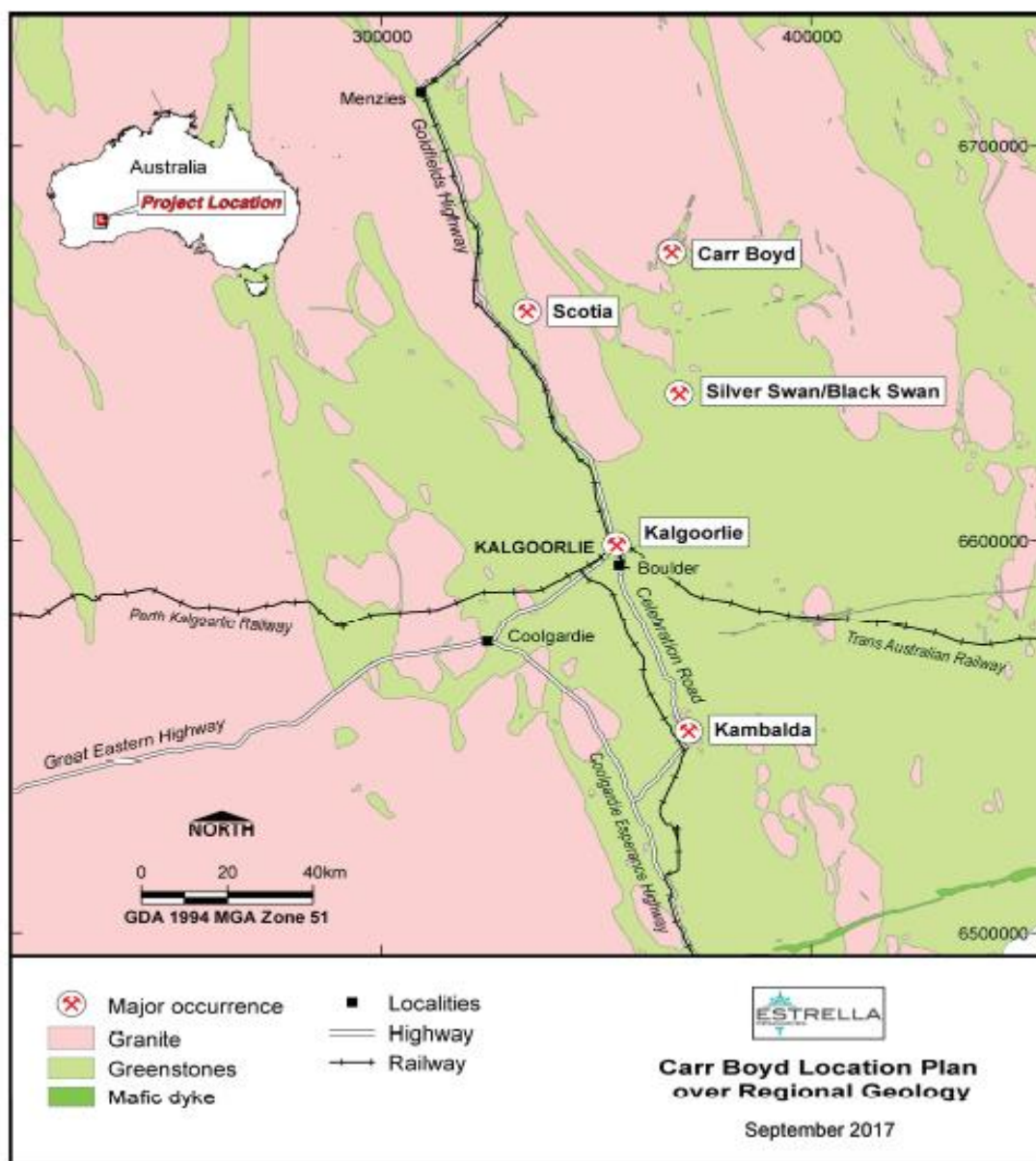
### 1.3 The Project

Upon completion of the Acquisition, the Company will acquire the rights to the Project.

The Project is comprised of the Carr Boyd Layered Complex (**CBLC** or the **Complex**). The CBLC is a 75km<sup>2</sup> layered mafic igneous complex, which hosts several occurrences of nickel and copper sulphides. The most significant occurrence discovered to date is at the Carr Boyd Rocks mine, where mineralisation is hosted by bronzite breccias (pyroxenites) emplaced within gabbroic sequence of the Complex.

The Project is located just 80km north north-east of Kalgoorlie and consists of the following tenements E29/1012; E29/0982; E31/0726; E31/1124; L24/0186; M31/0012; M31/0109; M31/0159 and ELA31/1162.





**Figure 1: Location of Carr Boyd in relation to commercial centres and other major nickel projects.**

#### *Carr Boyd History*

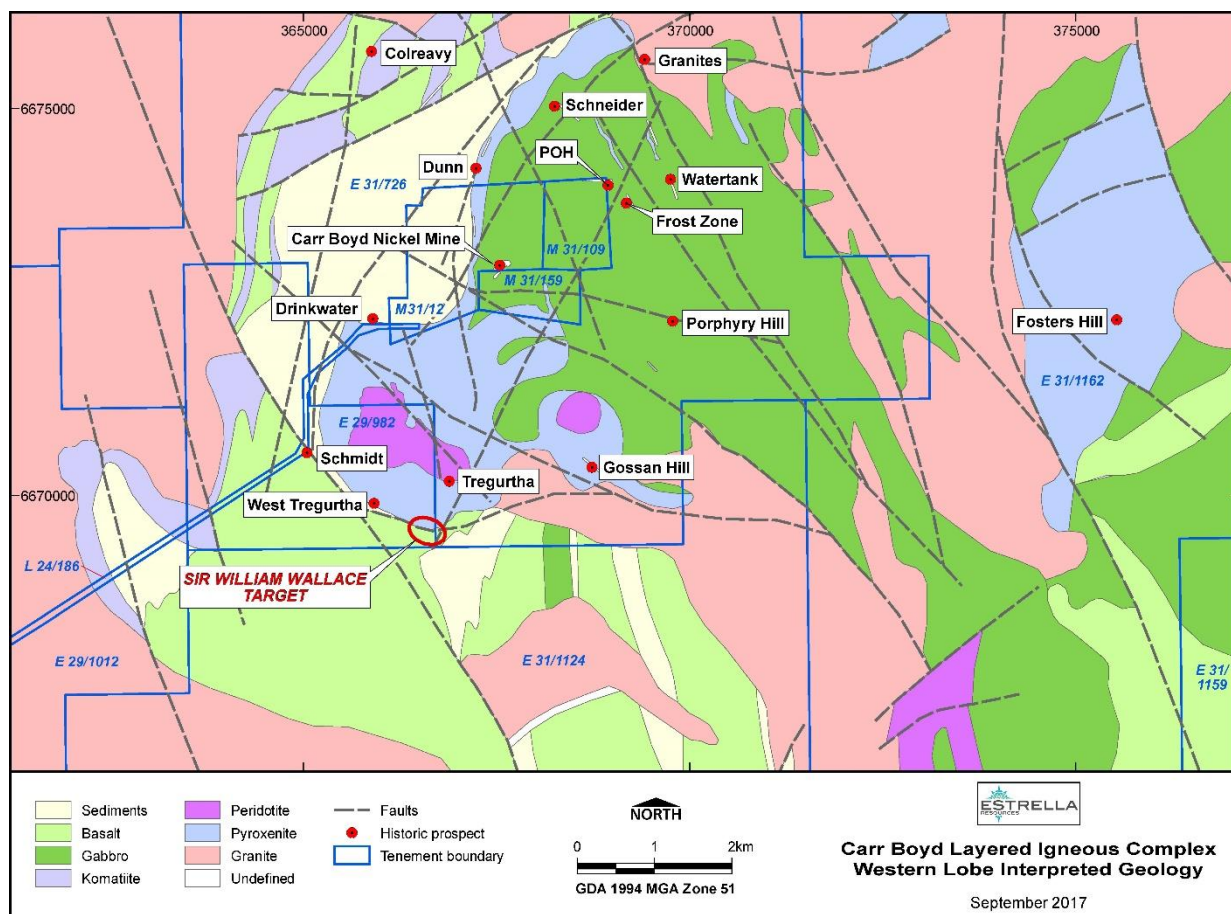
The Carr Boyd Rocks deposit was discovered by Great Boulder Mines in a joint venture (**JV**) with North Kalgoorlie Ltd in 1968. The deposit was mined between 1972 and 1975, during which time the JV explored for additional breccia pipe occurrences near the mine.

The mine was briefly reopened in 1977 before closing it permanently shortly thereafter due to a collapse in the nickel price. The mine had produced 210,000t at 1.44% Ni and 0.46% Cu before its closure.

Between 1968 and 2016 several companies have controlled the ground over the CBLC, including:

- Pacminex Pty Ltd, which discovered sulphide occurrences such as Tregurtha, West Tregurtha and Gossan Hill;
- Defiance Mining, which explored for PGE deposits and studied re-opening the mine;

- Titan Resources, which explored the basal contact of the CBLC and continued economic evaluations at the mine;
- Yilgarn Mining, which entered a JV with Titan Resources in 2005;
- Consolidated Minerals, which acquired Titan Resources in 2007, and
- Salt Lake Mining, which purchased the asset in 2013.



**Figure 2. Map showing Carr Boyd exploration targets and prospects over interpreted bedrock geology.**

The very encouraging observation of the historic exploration is that very few drillholes penetrated the basal contact. For example, between Schmidt, Tregurtha, and West Tregurtha (see Figure 2 above), of the 204 historic holes drilled only 6 are interpreted to intersect the basal contact, and no holes intersect the basal contact below 150m vertical from surface. This is despite large concentrations of cloud and disseminated sulphides in the immediate hanging wall, within CBLC pyroxenites and peridotites, particularly at Tregurtha.

#### 1.4 Pro forma balance sheet

A pro forma balance sheet of the Company which shows the financial position upon completion of the Acquisition is set out in Schedule 1.

#### 1.5 Pro forma capital structure

The capital structure of the Company following completion of the Acquisition and issues of all Securities contemplated by this Notice is:

## Shares

	Number
Shares on issue as at the date of this Notice	429,283,292
Shares to be issued to the Vendor (Resolution 1)	42,600,000
<b>Shares on issue on completion of the Acquisition</b>	<b>471,883,292</b>

## Options

	Number
Options on issue as at the date of this Notice	15,493,752
Options to be issued to the Vendor (Resolution 1) <sup>1</sup>	17,000,000
Options to be issued under Resolutions 4-7 of this Notice <sup>2</sup>	5,500,000
<b>Options on issue on completion of the Acquisition</b>	<b>37,993,752</b>

1. Having an exercise price of \$0.05 and an expiry date 3 years from the date of issue and otherwise issued on the terms and conditions contained in Schedule 2.
2. Having an exercise price of \$0.05 and an expiry date 3 years from issue and otherwise issued on the terms and conditions contained in Schedule 3.

### 1.6

#### Risk factors

Following the Acquisition, there will be no material change in the nature of the Company's business activities as the Company will continue to be a minerals exploration company and maintain its assets in Australia.

The relevant risks of the Acquisition are analogous to the Company's existing business which have previously been disclosed to Shareholders. The relevant risks include: exploration and operational risks; environmental regulations; changes in government policy; lack of specific infrastructure; and commodity price and foreign currency volatility.

In addition, the Company will be exposed to the following risks as a result of entering into the Heads of Agreement and the Acquisition:

#### Contractual

Under the terms of the Heads of Agreement, the Company has agreed to acquire all of the issued shares in Carr Boyd, subject to the satisfaction (or waiver) of a number of conditions (as outlined in Section 1.2(b) above).

The ability of the Company to acquire Carr Boyd and fulfil its stated objectives is subject to the performance by Carr Boyd and the Vendor of their obligations under the Heads of Agreement. If Carr Boyd or the Vendor defaults in the performance of their obligations, it may delay the completion of any stage of the Acquisition (if it completes at all) and it may be necessary for the Company to approach a Court to seek a legal remedy, which can be uncertain and costly.

### 1.7

#### Indicative Timetable

Subject to the requirements of the ASX Listing Rules, the Company anticipates completion of the Acquisition will be in accordance with the following timetable:

Event	Date
ASX announcement of Acquisition	16 October 2017
Notice of Meeting despatched to Shareholders	28 March 2018
General Meeting to approve Acquisition	26 April 2018
Completion of Acquisition	10 May 2018

*\* These dates are indicative only and subject to change.*

## 1.8 Intentions if Acquisition is not approved

If Resolution 1 is not passed and the Acquisition is not completed, the Company expects that it will continue to hold its interest in its existing projects and carry on its business as conducted as at the date of this Notice.

## 2. RESOLUTION 1 – APPROVAL OF ACQUISITION OF CARR BOYD

### 2.1 General

Resolution 1 seeks Shareholder approval for the purposes of:

- (a) ASX Listing Rule 10.1 for the acquisition of a substantial asset from a related party of the Company, being John Kingswood who is also a Vendor both in his own right and indirectly; and
- (b) ASX Listing Rule 10.11 for the issue of Consideration Shares and Options to a related party of the Company, Mr John Kingswood (**Related Party Issue**).

### 2.2 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a related party of the entity, without the prior approval of holders of the entity's ordinary shareholders.

#### **Substantial Asset**

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the financial year ending 30 June 2017 were \$3,335,140). A substantial asset is therefore an asset of value greater than \$166,757.

The Consideration for the Acquisition is valued at \$1,804,000 being more than 5% of the Company's equity interest and therefore the Acquisition will result in the acquisition of a substantial asset.

#### **Related Party**

Mr John Kingswood is a director of the Company and is therefore a related party. Mr Kingswood is also a Vendor (directly and indirectly through his associated

entities which hold shares in Carr Boyd) and a director of Carr Boyd and will receive therefore receive the Consideration.

It is noted that:

- (a) Chris Daws is the Chief Executive Officer of Estrella and a director and shareholder of Apollo; and
- (b) Mr Zhong Cao is a director and shareholder of Apollo and his wife, Ms Guiyun Wang is a substantial shareholder in Estrella, holding 5.72%.

### **Requirement for shareholder approval**

As a result of the above conclusions, the completion of the Acquisition will result in the acquisition of a substantial asset from a related party of the Company. The Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

### **Independent Expert's Report**

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd (a copy of which is enclosed with this Notice of Meeting at Annexure 1) assesses whether the Acquisition is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the Acquisition contemplated by the Heads of Agreement is, in the absence of a superior offer, **fair and reasonable** to the non-associated Shareholders of the Company.

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

The Independent Expert's Report is also available on the Company's website at [www.estrellaresources.com.au](http://www.estrellaresources.com.au). If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

## **2.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Acquisition involves the issue of Consideration Securities to a related party of the Company, John Kingswood, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

## Chapter 2E of the Corporations Act

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 Related Party Issue will result in the issue of Shares which constitutes giving a financial benefit and Mr Kingswood is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Kingswood who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Related Party Issue because the Shares will be issued to Mr Kingswood on the same terms as Shares issued to non-related party Vendors and as such the giving of the financial benefit is on arm's length terms.

### 2.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

- (a) the Shares will be issued to the Vendors, including Mr Kingswood (or his nominee);
- (b) the maximum number of securities to be issued is 42,600,000 Shares and 17,000,000 Options, of these securities 9,746,880 Shares and 3,889,600 Options to be issued to Mr Kingswood (**Consideration Securities**);
- (c) the Consideration Securities will be issued on the Completion Date and in any event, no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the issue price will be nil as the Consideration Securities will be issued as consideration for the Acquisition;
- (e) the Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Consideration Options issued will be issued on the terms and conditions set out in Schedule 2; and
- (g) there will be no funds raised as the Consideration Securities will be issued as consideration for the Acquisition.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Consideration as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to the Vendors, including Mr Kingswood (or his



nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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### 3. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE – SHARES

#### 3.1 General

On 25 October 2017, the Company issued 34,000,000 Shares at an issue price of \$0.04 per Share to raise \$1,360,000.

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

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period.

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

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

#### 3.2 Technical information required by ASX Listing Rule 7.4

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

- (a) 34,000,000 Shares were issued;
- (b) the issue price was \$0.04 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to clients of CPS Capital and Cove Capital. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue have been and will continue to be used to expedite exploration on the Company's Western Australian mineral asset portfolio, particularly the Carr Boyd Nickel Project located 80km north north-east of Kalgoorlie WA, and to provide additional working capital.

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### 4. RESOLUTION 3 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

This Resolution seeks Shareholder approval for the adoption of the employee incentive scheme titled Employee Share Option Plan (**ESOP**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary

securities on issue at the commencement of that 12-month period. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If this Resolution is passed, the Company will be able to issue Options under the ESOP to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12-month period.

Shareholders should note that no Options have previously been issued under the ESOP.

The objective of the ESOP is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the ESOP and the future issue of Options under the ESOP will provide selected Directors (executive or non-executive), and permitted employees and contractors of the Company with the opportunity to participate in the future growth of the Company.

Any future issues of Options under the ESOP to a related party or a person whose relationship with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time. Such approval is being sought under Resolutions 4 – 6.

A summary of the key terms and conditions of the ESOP is set out in Schedule 4. In addition, a copy of the ESOP is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the ESOP can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

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## 5. RESOLUTIONS 4 TO 6 – ISSUE OF OPTIONS TO RELATED PARTIES

### 5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 4,500,000 Options (**Related Party Options**) to Messrs Brockhurst, Shorrocks and Kingswood (**Related Parties**) pursuant to the ESOP and otherwise on the terms and conditions set out below.

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 grant of the Related Party Options constitutes giving a financial benefit and Messrs Brockhurst, Shorrocks and Kingswood are related parties of the Company by virtue of being Directors.



In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Related Party Options to the Related Parties.

## 5.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Related Party Options:

- (a) the related parties are Messrs Brockhurst, Shorrocks and Kingswood and they are related parties by virtue of being Directors;
- (b) the maximum number of Related Party Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
  - (i) 1,500,000 Related Party Options to Steve Brockhurst;
  - (ii) 1,500,000 Related Party Options to Ray Shorrocks; and
  - (iii) 1,500,000 Related Party Options to John Kingswood;
- (c) the Related Party Options will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (d) the Related Party Options will be granted for nil cash consideration; accordingly, no funds will be raised;
- (e) the Related Party Options will be issued pursuant to the ESOP and on the terms and conditions as set out in Schedule 3;
- (f) the value of the Related Party Options and the pricing methodology is set out in Schedule 5;
- (g) the relevant interests of the Related Parties in securities of the Company are set out below not including the Related Party Options:

Related Party	Shares	Options
Steve Brockhurst	250,000	Nil
Ray Shorrocks	714,285	Nil
John Kingswood <sup>1</sup>	11,156,880	3,889,600

<sup>1</sup> Assuming the Shares and Options are issued pursuant to Resolution 1.

- (h) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Stephen Brockhurst	146,386*	\$10,000
Ray Shorrocks	\$40,000	\$40,000
John Kingswood	\$40,000	\$20,000

\*Includes amounts paid to Mining Corporate Pty Ltd for 2018FY, a company of which Mr Brockhurst is a director, for Company Secretarial, Accounting and Bookkeeping services.

- (i) if the Related Party Options granted to the Related Parties are exercised, a total of 4,500,000 Shares would be issued. This will increase the number of Shares on issue from 471,882,292 to 476,382,292 (assuming that no other Options are exercised and no other Shares are issued other than those contemplated by this Notice) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.96%, comprising 0.32% by each Director.

The market price for Shares during the term of the Related Party Options would normally determine whether or not the Related Party Options are exercised. If, at any time any of the Related Party Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Related Party Options, there may be a perceived cost to the Company.

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	4.7 cents	17/10/2017
Lowest	1.9 cents	07/02/2018
Last	2.6 cents	23/03/2018

- (k) the Board acknowledges the grant of Related Party Options to the Related Parties is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations with 2014 Amendments (3<sup>rd</sup> Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of Related Party Options to the Related Parties reasonable in the circumstances for the reason set out in paragraph (m);
- (l) the primary purpose of the grant of the Related Party Options to the Related Parties is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors;
- (m) Mr Brockhurst declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 4 be passed. However,

in respect of Resolutions 5 and 6, Mr Brockhurst recommends that Shareholders vote in favour of those Resolutions for the following reasons:

- (i) the grant of Related Party Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;
  - (ii) the grant of the Related Party Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
  - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Related Party Options upon the terms proposed;
- (n) Mr Shorrocks declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 5 be passed. However, in respect of Resolutions 4 and 6, Mr Shorrocks recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m);
- (o) Mr Kingswood declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 5 be passed. However, in respect of Resolutions 4 and 5, Mr Kingswood recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m);
- (p) in forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Related Party Options to be granted as well as the exercise price and expiry date of those Related Party Options; and
- (q) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to decide whether it is in the best interests of the Company to pass Resolutions 4 to 6.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **6. RESOLUTION 7 – ISSUE OF OPTIONS TO CHRIS DAWS**

### **6.1 General**

This Resolution seeks Shareholder approval for the issue of 1,000,000 Options to Mr Daws in consideration for the services provided by him in his role as Chief Executive Officer of the Company (**Daws Option Issue**).

## 6.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The ASX has advised that the Company should seek Shareholder approval pursuant to Listing Rule 10.11 for the Daws Option Issue and that none of the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

## 6.3 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Daws Option Issue:

- (a) the Options will be issued to Mr Daws (or his nominee);
- (b) the maximum number of Options to be issued is 1,000,000;
- (c) the Options will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue of the Options will occur on the same date;
- (d) the Options will be issued for nil cash consideration in satisfaction of his services provided in his role as CEO of the Company and accordingly no funds will be raised the Daws Option Issue; and
- (e) the Options will be issued on the same terms and conditions as the Related Party Options set out in Schedule 3.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Daws Option Issue as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Mr Daws (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## GLOSSARY

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**\$** means Australian dollars.

**Apollo** means Apollo Phoenix Resources Pty Ltd.

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

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

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

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

**Chair** means the chair of the Meeting.

**Company** means Estrella Resources Limited (ACN 151 155 207).

**Completion** means the completion of the Acquisition as provided for pursuant to the Heads of Agreement.

**Completion Date** means the date of Completion.

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

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

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share.

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

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

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

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

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

**Tenements** means E29/1012; E29/0982; L24/0186; E31/0726; E31/1124; M31/0012; M31/0109; M31/0159 and ELA 31/1162.

**Vendor** means the shareholders of Carr Boyd, being Apollo or subject to the satisfaction of the condition precedent in Section 1.2(b)(ii), the shareholders of Apollo.

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

## SCHEDULE 1 – PRO FORMA BALANCE SHEET

	Estrella Consolidated Group (Unaudited) 31/12/2017 \$	Pro forma balance sheet (Consolidated) (Unaudited) 31/12/2017 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,121,265	1,121,365
Trade and other receivables	85,262	85,262
<b>TOTAL CURRENT ASSETS</b>	<b>1,206,527</b>	<b>1,206,627</b>
<b>NON-CURRENT ASSETS</b>		
Property, Plant & Equipment	29,488	29,488
Investment in subsidiary*	-	850,000
Deferred exploration and evaluation expenditure	3,116,272	4,760,172
Pre-Acquisition exploration and evaluation expenditure	160,000	160,000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,305,760</b>	<b>5,799,660</b>
<b>TOTAL ASSETS</b>	<b>4,512,287</b>	<b>7,006,287</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	307,166	307,166
<b>TOTAL CURRENT LIABILITIES</b>	<b>307,166</b>	<b>307,166</b>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	14,730	14,730
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>14,730</b>	<b>14,730</b>
<b>TOTAL LIABILITIES</b>	<b>321,896</b>	<b>321,896</b>
<b>NET (LIABILITIES) / ASSETS</b>	<b>4,190,391</b>	<b>6,684,391</b>
<b>EQUITY</b>		
Issued capital*	15,318,722	17,812,722
Reserve	606,419	606,419
Accumulated losses	(11,734,750)	(11,734,750)
<b>TOTAL (DEFICIENCY IN EQUITY) /EQUITY</b>	<b>4,190,391</b>	<b>6,684,391</b>

\*Includes subsequent event being the issue of 34,000,000 Shares on 12 January 2018 as consideration for the acquisition of WA Nickel Pty Ltd as approved by shareholders at Annual General Meeting held 28 November 2017.

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## SCHEDULE 2 – TERMS OF CONSIDERATION OPTIONS

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(a) **Entitlement**

Subject to paragraph (l), each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price and Expiry Date**

Subject to paragraphs (i) and (k), the amount payable upon exercise of each Option will be \$0.05 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date 3 years from this issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must no later than 20 Business Days after becoming aware of such notice being



ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Adjustment for rights issue**

In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

(l) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

(i) the number of Shares or other securities which must be issued on the exercise of an Option will be increased by the number of Shares or other securities which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and

(ii) no change will be made to the Exercise Price.

(m) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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## SCHEDULE 3 – TERMS OF RELATED PARTY OPTIONS

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(a) **Entitlement**

Subject to paragraph (l), each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price and Expiry Date**

Subject to paragraphs (i) and (k), the amount payable upon exercise of each Option will be \$0.05 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date 3 years from the issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must no later than 20 Business Days after becoming aware of such notice being

ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(f) **Vesting Conditions**

The Options will have no vesting conditions.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Adjustment for rights issue**

In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

(l) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

(i) the number of Shares or other securities which must be issued on the exercise of an Option will be increased by the number of Shares or other securities which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and

(ii) no change will be made to the Exercise Price.

(m) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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## SCHEDULE 4 – SUMMARY OF THE TERMS AND CONDITIONS OF THE ESOP

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The key terms of the ESOP are as follows:

### 1. Incentive option plan

- (a) **Eligibility:** Participants in the Option Plan may be:
- (i) a Director (whether executive or non-executive) of the Company and any associated body corporate of the Company (each a **Group Company**);
  - (ii) a full or part time employee of any Group Company;
  - (iii) a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 as amended or replaced (**Class Order**); or
  - (iv) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a participant under subparagraphs (i), (ii), or (iii) above,
- who is declared by the Board to be eligible to receive grants of Options under the Option Plan (**Eligible Participants**).
- (b) **Offer:** The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant (including an Eligible Participant who has previously received an offer) to apply for up to a specified number of Options, upon the terms set out in the Option Plan and upon such additional terms and conditions as the Board determines.
- (c) **Plan limit:** The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Options offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.
- (d) **Issue price:** Unless the Options are quoted on the ASX, Options issued under the Option Plan will be issued for no more than nominal cash consideration.
- (e) **Vesting Conditions:** An Option may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Option.
- (f) **Vesting:** The Board may in its absolute discretion (except in respect of a Change of Control occurring where Vesting Conditions are deemed to be automatically waived) by written notice to a Participant (being an Eligible Participant to whom Options have been granted under the Option Plan or their nominee where the Options have been granted to

the nominee of the Eligible Participant (**Relevant Person**)), resolve to waive any of the Vesting Conditions applying to Options due to:

- (i) Special Circumstances arising in relation to a Relevant Person in respect of those Options, being:
    - (A) a Relevant Person ceasing to be an Eligible Participant due to:
      - (I) death or Total or Permanent Disability of a Relevant Person; or
      - (II) Retirement or Redundancy of a Relevant Person;
    - (B) a Relevant Person suffering Severe Financial Hardship;
    - (C) any other circumstance stated to constitute "Special Circumstances" in the terms of the relevant Offer made to and accepted by the Participant; or
    - (D) any other circumstances determined by the Board at any time (whether before or after the Offer) and notified to the relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant; or
  - (ii) a Change of Control occurring; or
  - (iii) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.
- (g) **Lapse of an Option:** An Option will lapse upon the earlier to occur of:
- (i) an unauthorised dealing in the Option;
  - (ii) a Vesting Condition in relation to the Option is not satisfied by its due date, or becomes incapable of satisfaction, unless the Board exercises its discretion to waive the Vesting Conditions and vest the Option in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Options to remain unvested after the Relevant Person ceases to be an Eligible Participant;
  - (iii) in respect of unvested Option only, an Eligible Participant ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Option in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Options to remain unvested after the Relevant Person ceases to be an Eligible Participant;
  - (iv) in respect of vested Options only, a relevant person ceases to be an Eligible Participant and the Option granted in respect of that person is not exercised within one (1) month (or such later date as the Board determines) of the date that person ceases to be an Eligible Participant;

- (v) the Board deems that an Option lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;
  - (vi) the Company undergoes a Change of Control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Option;
  - (vii) the expiry date of the Option.
- (h) **Shares:** Shares resulting from the exercise of the Options shall, subject to any Sale Restrictions (refer paragraph (i)) from the date of issue, rank on equal terms with all other Shares on issue.
- (i) **Sale Restrictions:** The Board may, in its discretion, determine at any time up until exercise of Options, that a restriction period will apply to some or all of the Shares issued to an Eligible Participant (or their eligible nominee) on exercise of those Options up to a maximum of seven (7) years from the grant date of the Options. In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such restriction period determined.
- (j) **No Participation Rights:** There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.
- (k) **Change in exercise price of number of underlying securities:** Unless specified in the offer of the Options and subject to compliance with the ASX Listing Rules, an Option does not confer the right to a change in exercise price or in the number of underlying Shares over which the Option can be exercised.
- (l) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of an Option are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (m) **Trust:** The Board may, at any time, establish a trust for the sole purpose of acquiring and holding Shares in respect of which a Participant may exercise, or has exercised, vested Options, including for the purpose of enforcing the disposal restrictions and appoint a trustee to act as trustee of the trust. The trustee will hold the Shares as trustee for and on behalf of a Participant as beneficial owner upon the terms of the trust. The Board may at any time amend all or any of the provisions of the Option Plan to effect the establishment of such a trust and the appointment of such a trustee.

## SCHEDULE 5 – VALUATION OF RELATED PARTY OPTIONS

The Related Party Options to be issued to the Related Parties pursuant to Resolutions 4, 5 and 6 have been valued by internal management.

Using the Black & Scholes option model and based on the assumptions set out below, the Related Party Options were ascribed the following value:

<b>Assumptions:</b>	
Valuation date	23 March 2018
Market price of Shares	2.6 cents
Exercise price	5 cents
Expiry date (length of time from issue)	31 March 2021
Risk free interest rate	2.08%
Volatility (discount)	100%
<b>Indicative value per Related Party Option</b>	1.5 cents
<b>Total Value of Related Party Options</b>	\$67,500
- Stephen Brockhurst	\$22,500
- Ray Shorrocks	\$22,500
- John Kingswood	\$22,500

Note: The valuation noted above is not necessarily the market price that the Related Party Options could be traded at and is not automatically the market price for taxation purposes.

## PROXY FORM

ESTRELLA RESOURCES LTD  
ACN 151 155 207

### GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at Mining Corporate Boardroom, Level 11, 216 St Georges Terrace, Perth WA 6000 on Thursday, 26 April 2018 at 9:00am (WST), and at any adjournment thereof.

#### AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1,3,4,5,6 and 7 (except where I/we have indicated a different voting intention below) even though Resolutions 1,3,4,5,6 and 7 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

#### CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Approval of Acquisition of 100% of the issued capital of Carr Boyd Nickel Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of prior issue - shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Adoption of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Options to Steve Brockhurst	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Options to Ray Shorrocks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Options to John Kingswood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Options to Chris Daws	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

If two proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date:

Contact name:

Contact ph (daytime):

E-mail address:

Consent for contact by e-mail  
in relation to this Proxy Form:

YES ☐ NO ☐



## Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
  - **(Individual):** Where the holding is in one name, the Shareholder must sign.
  - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
  - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to Estrella Resources Limited, Level 11, London House 216 St Georges Terrace Perth WA 6000; or
  - (b) facsimile to the Company on facsimile number +61 8 9463 6103; or
  - (c) email to the Company at [steve@miningcorporate.com.au](mailto:steve@miningcorporate.com.au),

so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy Forms received later than this time will be invalid.**

For personal use only

For personal use only

# **ESTRELLA RESOURCES LIMITED** **Independent Expert's Report**

**OPINION: Fair and Reasonable**

9 March 2018

## Financial Services Guide

9 March 2018

**BDO Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Estrella Resources Limited ('Estrella') to provide an independent expert's report on the proposal to acquire 100% of the issued capital in Carr Boyd Nickel Pty Ltd from Apollo Phoenix Resources Pty Ltd through the issue of 42.6 million fully paid shares in Estrella, 17 million unlisted options and an upfront cash payment of \$176,000. You will be provided with a copy of our report as a retail client because you are a shareholder of Estrella.

### Financial Services Guide

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

This FSG includes information about:

- ♦ Who we are and how we can be contacted;
- ♦ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ♦ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ♦ Any relevant associations or relationships we have; and
- ♦ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

## **Fees, commissions and other benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$20,000.

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

## **Other Assignments**

In December 2015, we were engaged to prepare an independent expert's report for Estrella in relation to its proposal to acquire all the issued capital of Data Laboratories Limited. Our fee for the preparation of the independent expert's report was \$18,000.

## **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Estrella for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

## **Referrals**

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

## **Complaints resolution**

### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

## **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Free call: 1800 367 287  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **Contact details**

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

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9 March 2018

The Directors  
Estrella Resources Limited  
Level 11, London House  
216 St George's Terrace  
Perth WA 6000

Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 16 October 2017, Estrella Resources Limited ('**Estrella**' or '**the Company**') announced that it had entered into a conditional, binding heads of agreement ('**HOA**') to acquire 100% of the issued capital in Carr Boyd Nickel Pty Ltd ('**CBN**') from Apollo Phoenix Resources Pty Ltd ('**Apollo**') through the issue of 42.6 million fully paid shares in Estrella, 17 million unlisted options and a cash deposit of \$160,000 ('**Proposed Transaction**').

The HOA was subsequently amended and executed on 28 February 2018, restating the cash deposit to an upfront payment of \$176,000 (\$160,000 + GST) as reimbursement of previous exploration expenses incurred by Apollo in relation to the Carr Boyd Nickel project ('**Amended HOA**').

The Proposed Transaction is subject to various conditions precedent.

All dollar amounts are in Australian dollars ('**A\$**' or '**AUD**') unless otherwise indicated.

### 2. Summary and Opinion

#### 2.1 Purpose of the report

The directors of Estrella have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of Estrella ('**Shareholders**').

Our Report is prepared pursuant to Australian Securities Exchange ('**ASX**') Listing Rule 10.1 and is to be included in the Notice of Meeting for Estrella in order to assist the Shareholders in their decision whether to approve the Proposed Transaction. An independent expert's report is required because Mr Kingswood is a director of the Company, and therefore constitutes a related party. Mr Kingswood is also a vendor, both directly, and indirectly through his associated entities which hold shares in CBN through Apollo. Mr Kingswood is a director of CBN.



## 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of the report. We have considered:

- how the value of the consideration, being shares and options in the Proposed Merged Entity and an upfront cash payment, compares to the value of the asset to be acquired, being 100% of the issued capital of CBN;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- the position of Shareholders should the Proposed Transaction not proceed.

## 2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of the report and have concluded that, in the absence of an alternate offer, the Proposed Transaction is fair and reasonable to Shareholders.

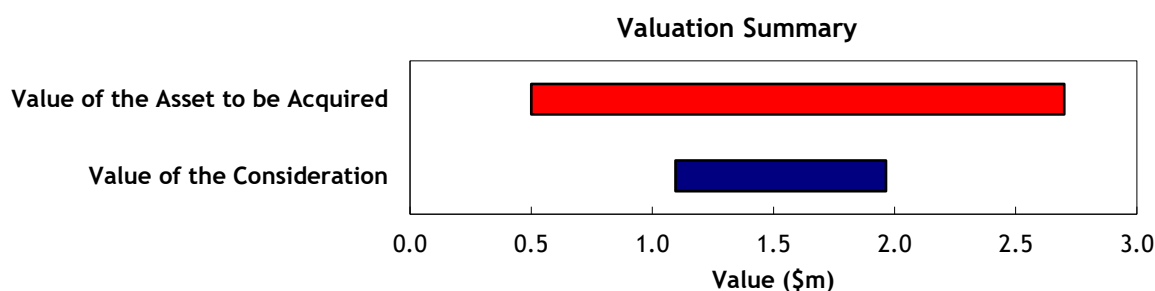
## 2.4 Fairness

In Section 12 we determined how the value of the consideration to the vendor, being shares and options in the Proposed Merged Entity and an upfront cash payment, compares to the value of the asset to be acquired, being 100% of the issued capital of CBN, as set out below.

	Ref	Low value \$	Preferred value \$	High value \$
Value of the Asset to be Acquired	10.1	500,100	1,500,100	2,700,100
Value of the Consideration	11.4	1,095,800	1,521,600	1,964,400

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the Proposed Transaction is fair for Shareholders.



## 2.5 Reasonableness

We have considered the analysis in Section 13 of this report, in terms of both

- advantages and disadvantages of the Proposed Transaction; and
- other considerations, including contractual issues of the Proposed Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	The Proposed Transaction is fair	13.2.1	Dilution of existing Shareholders' interests
13.1.2	The Proposed Transaction will strengthen the Company's balance sheet		
13.1.3	The nature of the Consideration ensures that Estrella maintains the majority of its cash balance		
13.1.4	The Proposed Transaction will strengthen the Company's energy metals portfolio through the addition of a nickel project		

Other key matters we have considered include:

Section	Description
13.3.1	Completion issues

## 3. Scope of the Report

### 3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the latest published accounts. Based on the audited accounts as at 30 June 2017, the value of the consideration to be paid to Apollo for CBN constitutes more than 5% of the equity interest of Estrella.

ASX Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity.

Mr John Kingswood is a director of the Company and therefore constitutes a related party. Mr Kingswood is also a vendor, both directly, and indirectly through his associated entities which hold shares in CBN through Apollo. Mr Kingswood is a director of CBN.

ASX Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded, being the shareholders who are not associated with Apollo.

Accordingly, an independent experts' report is required for the Proposed Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Estrella.

### 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines 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.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Proposed Transaction to be a control transaction as Apollo, and therefore Mr John Kingswood, will not hold 20% of the issued capital of Estrella following the Proposed Transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Proposed Transaction as if it were not a control transaction.

### 3.3 Adopted basis of evaluation

RG 111.57 states that a related party 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.

In the case of the Proposed Transaction, we have defined the financial benefit to be provided by Estrella to Apollo of 42.6 million shares in Estrella, 17 million unlisted options, and an upfront payment of \$176,000 as the '**Consideration**'. The consideration being provided to Estrella by Apollo constitutes 100% of the issued capital of CBN, which we have defined as the '**Asset to be Acquired**'.

RG 111 states that when considering the value of the securities which are the subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in section 3.2 we do not consider the Proposed Transaction to be a control transaction.

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 alternate offers.

Having regard to the above, BDO has completed this comparison in two parts:

- a comparison between the value of the Asset to be Acquired, being 100% of the issued capital of CBN, and the value of the Consideration being provided by Estrella to Apollo, being shares in Estrella, options and an upfront cash payment (fairness - see Section 12 'Is the Proposed Transaction Fair?'); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 'Is the Proposed Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

*'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

#### 4. Outline of the Proposed Transaction

On 16 October 2017, Estrella announced that it had entered into a conditional, binding HOA to acquire 100% of the issued capital in CBN from Apollo, with the consideration to be paid by Estrella to Apollo for the acquisition of CBN being:

- 42.6 million fully paid ordinary shares in the capital of Estrella ('**Consideration Shares**');
- 17 million unlisted Estrella options with an exercise price of \$0.050 and an expiry date three years from the date of issue ('**Consideration Options**'); and
- an upfront payment of \$176,000 representing reimbursement of previous exploration expenses incurred by Apollo, which was paid to Apollo and received by Apollo on 6 November 2017 ('**Cash Consideration**').

Collectively, the Consideration.

The Consideration Shares and Consideration Options will be issued free from any encumbrances (other than escrow restrictions as required by the ASX Listing Rules) at completion of the Proposed Transaction.

The Proposed Transaction is subject to various conditions precedent, the material ones being:

- approval of the acquisition by Estrella Shareholders;
- the shares in CBN are held by Apollo shareholders pro-rata to their shareholding in Apollo. This will be achieved through a non-renounceable pro-rata rights issue on the basis that for every one share held in Apollo, one new share in CBN will be issued to eligible Apollo shareholders;
- no breach of warranty occurs prior to completion of the Proposed Transaction;
- no event, occurrence or matter, which individually or when aggregated with all such events, occurrences or matters of a similar kind, taking place at any time prior to the completion date which has a material adverse effect on CBN, or its business or the ability of Estrella to complete the Proposed Transaction;

- Apollo executing such form of restriction agreement in respect of the Consideration Shares and Consideration Options to be issued to it under HOA as may be required by ASX; and
- to the extent possible, the tenements are transferred from Apollo to CBN such that CBN has title to the tenements. This condition precedent has subsequently been satisfied, with title of tenements transferred from Apollo to CBN completed on 18 October 2017.

Further details of the conditions precedent may be found under Resolution 1 in the attached Notice of Meeting.

#### 4.1 Shareholding in Estrella following the Proposed Transaction

As at the date of our Report, Apollo does not hold any shares or options in the issued capital of Estrella. Apollo sold its remaining Estrella shares on 29 January 2018.

The following table shows the maximum shareholding of Apollo shareholders following the issue of the Consideration Shares. We have also assumed exercise of the Consideration Options and director options issued to Mr Kingswood under the attached Notice of Meeting to demonstrate the potential dilution impact for Shareholders.

Share structure following the Proposed Transaction	Apollo shareholders	Other	Total
<b>Existing shareholding</b>			
Issued shares (9 February 2018)	-	429,283,292	429,283,292
Shareholding (%)	0.00%	100.00%	100.00%
<b>Following the Proposed Transaction</b>			
Issue of Consideration Shares	42,600,000	-	42,600,000
Issued shares following the Proposed Transaction	42,600,000	429,283,292	471,883,292
Shareholding (%) - undiluted basis	9.03%	90.97%	100.00%
Number of Consideration Options	17,000,000	-	17,000,000
Number of director options to be issued*	1,500,000	-	1,500,000
Issued shares following exercise of all related party options	61,100,000	429,283,292	490,383,292
Shareholding (%) - diluted basis	12.46%	87.54%	100.00%

Source: BDO analysis

\*As per the attached Notice of Meeting, Estrella is seeking shareholder approval for the issue of 5.5 million options to directors. Of the 5.5 million director options, 1.5 million are to be issued to Mr John Kingswood, who constitutes a related party under ASX Listing Rule 10.1. The exercise price of the director options is \$0.05.

On a fully diluted basis, Shareholders' interest in Estrella will be diluted from 100.0% to approximately 87.5% following the Proposed Transaction. Apollo shareholders will receive an initial interest of 9.03% in the Company and have the capacity to increase this to 12.46% after Apollo shareholders and Mr Kingswood exercise all their options, with no other options exercised.

## 5. Profile of Estrella

### 5.1 History

Estrella was incorporated on 27 May 2011 and listed on the ASX on 9 May 2012. Previously, the Company had been primarily focussed on developing its Saturno and Mecurio tenements at the Altair copper project in Chile. However, during the year ended 30 June 2015 the Company reassessed these investments and

determined not to proceed with their development. Estrella's primary activities are now largely focussed around the development of its Mt Edwards Lithium Project and its interests in the Munda Nickel and Lithium Project and the Spargoville Gold Project. The Company has its head office located in Perth, Western Australia ('WA').

The current directors and senior management of Estrella are:

- Mr Ray Shorrocks, Non-Executive Director;
- Mr John Kingswood, Non-Executive Director;
- Mr Steve Brockhurst, Non-Executive Director and Company Secretary; and
- Mr Christopher Daws, Chief Executive Officer.

Estrella has two 100% owned subsidiaries, Estrella Resources (Chile) SpA incorporated by Estrella in Chile, and Mt Edwards Lithium Pty Ltd which was acquired by Estrella as approved by shareholders on 28 December 2016.

Estrella's most recent capital raising was undertaken in October 2017, whereby the Company announced that it had received commitments to place 34 million fully paid ordinary shares to sophisticated investors at \$0.04 per share to raise a total of \$1.36 million. The placement was oversubscribed by investors, with funds raised under the placement to be used to expedite exploration on the Company's WA mineral asset portfolio as well as for working capital purposes.

A brief summary of the Company's projects are set out below.

#### **Mt Edwards Lithium Project**

On 7 November 2016, Estrella announced that it had executed an agreement for the acquisition of Mt Edwards Lithium Pty Ltd, which held 75% of the lithium rights to a group of tenements held by Apollo. The acquisition was subsequently approved by Estrella shareholders on 28 December 2016.

The Mt Edwards Lithium Project is located centrally within a globally significant lithium province, and consists of 17 tenements covering over 129 kilometres<sup>2</sup> ('km<sup>2</sup>') on the Widgiemooltha dome, WA.

#### **Munda Gold and Spargoville Nickel Projects**

On 4 September 2017, Estrella announced that it had executed a binding, conditional agreement for the acquisition of WA Nickel Pty Ltd ('WA Nickel') which held 25% of the lithium rights to tenement M15/87 held by Apollo, as well as the gold and nickel rights to M15/87, and 100% nickel rights to a group of tenements held by Tychean Resources Limited and 100% of the nickel rights to M15/1828 held by Corolla Minerals Limited and Minex (Aust) Pty Ltd.

The transaction gave Estrella 100% ownership of all metals on M15/87 as its wholly owned subsidiary, Mt Edwards Lithium Pty Ltd, holds the remaining 75% of the lithium rights.

The new projects acquired represented an addition to the Company's existing Mt Edwards Lithium Project, with the consolidated projects (i.e. the Mt Edwards Lithium Project and the Munda Gold and Spargoville Nickel Projects) referred to as the Widgiemooltha Energy Metals Project ('WEMP').

## 5.2 Historical Financial Information

Historical Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-17 A\$	Audited for the year ended 30-Jun-16 A\$	Audited for the year ended 30-Jun-15 A\$
Interest income	21,282	21,213	6,584
Write back of professional fees over accrued	-	122,908	-
<b>Expenses</b>			
Personnel costs	(19,364)	(6,976)	(289,923)
Legal fees	(118,921)	(67,818)	(76,283)
Exploration costs written off	-	(25,532)	-
Directors' fees	(99,331)	(88,667)	(103,643)
Consulting fees	(40,000)	(70,810)	(43,720)
Share based payment expense	(200,000)	(6,291)	(179,097)
Depreciation	(145)	-	(43,390)
Impairment charge	-	(500,000)	(3,178,720)
Other expenses	(276,886)	(204,827)	(579,285)
<b>Loss before income tax</b>	<b>(733,365)</b>	<b>(826,800)</b>	<b>(4,487,477)</b>
Income tax benefit	-	-	-
<b>Total comprehensive loss for the year</b>	<b>(733,365)</b>	<b>(826,800)</b>	<b>(4,487,477)</b>

Historical Statement of Financial Position	Audited as at 30-Jun-17 A\$	Audited as at 30-Jun-16 A\$	Audited as at 30-Jun-15 A\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	910,767	1,001,874	399,278
Trade and other receivables	37,824	6,387	13,848
Other assets	-	-	6,020
<b>TOTAL CURRENT ASSETS</b>	<b>948,591</b>	<b>1,008,261</b>	<b>419,146</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	826	-	-
Exploration and evaluation expenditure	2,846,352	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,847,178</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>3,795,769</b>	<b>1,008,261</b>	<b>419,146</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	143,091	89,032	313,363
Provisions	-	-	42,871
<b>TOTAL CURRENT LIABILITIES</b>	<b>143,091</b>	<b>89,032</b>	<b>356,234</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	12,329	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>12,329</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>155,420</b>	<b>89,032</b>	<b>356,234</b>
<b>NET ASSETS</b>	<b>3,640,349</b>	<b>919,229</b>	<b>62,912</b>
<b>EQUITY</b>			
Issued capital	14,042,219	10,587,734	9,632,772
Reserves	606,419	1,412,429	747,854
Accumulated losses	(11,008,289)	(11,080,934)	(10,317,714)
<b>TOTAL EQUITY</b>	<b>3,640,349</b>	<b>919,229</b>	<b>62,912</b>

Source: Estrella's audited financial statements for the years ended 30 June 2015, 30 June 2016 and 30 June 2017

We note that for the year ended 30 June 2017, Estrella's auditor issued an emphasis of matter paragraph in the audit report. The auditor outlined the existence of a material uncertainty that may cast significant doubt about Estrella's ability to continue as a going concern due to the Company incurring a net loss of \$733,365 and having net operating cash outflows of \$489,980 during the year ended 30 June 2017. We note that according to the audit report, the Company prepared budgets and forecasts for the year ending 30 June 2018 and determined that at the current level of operations, the Company has sufficient cash to trade for the 12 months following the date of the audit report.

### Commentary on Historical Financial Information

We note the following in relation to Estrella's Historical Financial Information:

- Cash and cash equivalents increased from \$0.40 million as at 30 June 2015 to \$1.0 million as at 30 June 2016 primarily due to the Company raising approximately \$1.78 million over the period through the issue of shares and options.
- A summary of exploration and evaluation expenditure amounting to \$2.85 million as at 30 June 2017 is set out below.

Exploration and evaluation assets	Audited as at 30-Jun-17 A\$
Balance at the beginning of the year	-
Acquisition of Mt Edwards Lithium	2,120,000
Lithium rights	58,500
Exploration costs capitalised	667,852
<b>Balance at the end of the year</b>	<b>2,846,352</b>

Source: Estrella's audited financial statements for the year ended 30 June 2017

- On 28 December 2016, Estrella shareholders approved the acquisition of Mt Edwards Lithium Pty Ltd. The acquisition of Mt Edwards Lithium exploration and evaluation asset of \$2.12 million at 30 June 2017 represented the purchase consideration for Mt Edwards Lithium Pty Ltd of 106 million shares in Estrella at a fair value of \$0.02 per share.
- Given the depressed commodity markets and fall in the copper price over the year to 30 June 2015, the Company reassessed its investment in the Chile copper project and decided it would not proceed with the project. As a result, and given uncertainty as to the project's value, the Company recorded an impairment charge of \$3.18 million for the year ended 30 June 2015, writing the project value down to nil.
- In November 2015, Estrella entered into an agreement to acquire Data Laboratories Limited ('Data Labs'). The Company advanced \$0.50 million to Data Labs however did not proceed with the acquisition. Under the terms of the termination agreement of the loan, \$0.25 million will be converted into shares in Data Labs when it completes its next capital raising, and the remainder is repayable from the proceeds of the capital raising. As a result, Estrella recorded an impairment charge amounting to \$0.50 million relating to the loan as at 30 June 2016, and will remain impaired until such time as equity in Data Labs is issued and the loan is repaid.



### 5.3 Capital Structure

The share structure of Estrella as at 9 February 2018 is outlined below:

	Number
Total ordinary shares on issue	429,283,292
Top 20 shareholders	178,473,025
Top 20 shareholders - % of shares on issue	41.57%

Source: Share registry information

The range of shares held in Estrella as at 9 February 2018 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	24	6,028	0.00%
1,001 - 5,000	131	352,084	0.08%
5,001 - 10,000	54	416,436	0.10%
10,001 - 100,000	396	20,773,996	4.84%
100,001 - and over	442	407,734,748	94.98%
<b>TOTAL</b>	<b>1,047</b>	<b>429,283,292</b>	<b>100.00%</b>

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 9 February 2018 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Mariner Mining Pty Ltd	31,093,378	7.24%
Ms Guiyun Wang	24,554,306	5.72%
Ms Kylie Anne Campbell	20,990,000	4.89%
Mr Hangxin Lu	15,043,500	3.50%
Subtotal	91,681,184	21.36%
Others	337,602,108	78.64%
<b>Total ordinary shares on issue</b>	<b>429,283,292</b>	<b>100.00%</b>

Source: Share registry information

The options on issue as at 9 February 2018 are detailed below:

Current options on issue	Number
Options exercisable at \$0.044 on or before 31 May 2018	5,000,000
Options exercisable at \$0.80 on or before 3 October 2018	118,752
Options exercisable at \$1.40 on or before 21 November 2018	750,000
Options exercisable at \$0.40 on or before 13 November 2019	1,375,000
Options exercisable at \$0.024 on or before 31 March 2020	8,250,000

Source: Option registry information

We note under the attached Notice of Meeting Estrella is seeking shareholder approval for the issue of 5.5 million options to directors, with 1.5 million of those to be issued to Mr John Kingswood who constitutes a related party under ASX Listing Rule 10.1.



## 6. Profile of Carr Boyd Nickel Pty Ltd

CBN was incorporated on 10 March 2017, and is a privately owned mineral exploration company. Apollo is the ultimate holding company of CBN, which is a private WA-based nickel and gold exploration and development company. CBN is focussed on the development of the Carr Boyd Nickel Project.

The current directors and senior management of CBN are as follows:

- Mr Douglas Daws, Director;
- Mr Christopher Daws, Director;
- Mr John Kingswood, Director; and
- Mr Keith Bowker, Company Secretary.

A summary of Apollo's ordinary shares held by the most significant shareholders as at 15 February 2018 is detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Douglas Charles Daws	52,979	22.89%
Mariner Mining Pty Ltd	38,308	16.55%
Rebecca Kingswood	27,142	11.73%
Kylie Anne Campbell	27,135	11.72%
Subtotal	145,564	62.89%
Others	85,889	37.11%
<b>Total ordinary shares on issue</b>	<b>231,453</b>	<b>100.00%</b>

Source: Company extract report dated 15 February 2018

A summary of CBN's Carr Boyd Nickel Project is set out below.

### Carr Boyd Nickel Project

The Carr Boyd Nickel Project lies within the Achaean Yilgarn Craton, and is located approximately 80 km north-east of Kalgoorlie-Boulder in WA in the Eastern Goldfields Province. It consists of five exploration licences and three mining leases, and is prospective for nickel sulphide mineralisation which has been encountered in drill intercepts.

The project is a historic nickel and copper producing asset, with the geology dominated by the Carr Boyd layered mafic-ultramafic intrusive complex - a 75km<sup>2</sup> complex that hosts several occurrences of nickel and copper sulphides. The most significant occurrence discovered to date is at the Carr Boyd Rocks deposit, discovered in 1968 by a joint venture between Great Boulder Mines and North Kalgurli Mines following a regional mapping and soil sampling program. The deposit was mined as an underground operation between 1973 and 1975, and briefly recommenced in 1977. However, the mine subsequently closed in 1977 due to prevailing low nickel prices.

### 6.1 Historical Financial information

We have been provided with a trial balance of CBN as at 31 December 2017, and have prepared the following balance sheet based on this information.

Balance Sheet		Management accounts as at 31-Dec-17 A\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		100
<b>TOTAL CURRENT ASSETS</b>		<b>100</b>
<b>NON-CURRENT ASSETS</b>		
Exploration and evaluation expenditure		145,171
Intangibles		990
<b>TOTAL NON-CURRENT ASSETS</b>		<b>146,161</b>
<b>TOTAL ASSETS</b>		<b>146,261</b>
<b>CURRENT LIABILITIES</b>		
Borrowings		4,110
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,110</b>
<b>TOTAL LIABILITIES</b>		<b>4,110</b>
<b>NET ASSETS</b>		<b>142,151</b>
<b>EQUITY</b>		
Issued capital		100
Retained earnings		142,051
<b>TOTAL EQUITY</b>		<b>142,151</b>

Source: CBN's trial balance as at 31 December 2017

We have not undertaken a review of CBN's management accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

### Commentary on Historical Financial Information

We note the following in relation to CBN's Historical Financial Information:

- Exploration and evaluation expenditure relates to capitalised amounts associated with the development of the Carr Boyd Nickel Project.
- Intangibles of \$990 as at 31 December 2017 relate to formation costs.
- Borrowings of \$4,110 as at 31 December 2017 relate to rent and rates and are currently covered by Apollo until completion of the Proposed Transaction. These amounts will be repaid prior to completion of the Proposed Transaction through a capital raising to be undertaken by CBN, whereby Apollo shareholders will receive one new share in CBN for every share held in Apollo.
- We note CBN previously owed \$142,051 to Apollo, however this was forgiven by Apollo and has been re-classified as other revenue. We have been provided with a signed statement from Apollo confirming that this amount has been forgiven.

We have been provided with expenditure reports relating to each of the tenements comprising the Carr Boyd Nickel Project, detailing all expenditure from CBN's date of incorporation being 10 March 2017 to 31 December 2017. We note on 18 October 2017, title to the tenements was transferred from Apollo to CBN.

A summary of tenement expenditure undertaken in relation to the Carr Boyd Nickel Project to date is set out in the table below.

Tenement	Exploration expenditure A\$
M3112	23,981
M31159	18,551
E29982	20,848
E291012	3,784
E31726	27,253
E311124	17,035
L24186	14,794
M31109	18,926
<b>Total capitalised exploration expenditure (rounded)</b>	<b>145,171</b>

Source: CBN's tenement expenditure

We are satisfied with the supporting evidence provided by CBN in relation to the exploration expenditure incurred over the period from 10 March 2017 to 31 December 2017.

Based on the procedures we have performed we consider that we have reasonable grounds to rely on the financial information provided by CBN in our valuation.

## 7. Economic analysis

### 7.1. Global

Conditions in the global economy improved over 2017, with available information suggesting this strength has continued into 2018. The major advanced economies have continued to grow at an above-trend rate, and unemployment rates are generally low.

In China, gross domestic product ('GDP') growth remained robust in 2017, supported by fiscal spending and continued rapid growth in aggregate financing. However, restrictions implemented by the Chinese government in order to target environmental issues led to a decline in output for a large number of industrial products towards the end of 2017.

In December 2017, the World Bank revised its growth expectations for China upwards from 6.7% to 6.8% per annum as factors such as personal consumption and foreign trade showed signs of supporting growth. However, growth levels may moderate over the next two years as policies to reduce leverage gradually take hold.

According to the United States' Bureau of Economic Analysis, preliminary estimates indicate the United States' output increased at an annual rate of 2.6% in the final quarter of 2017. This is reflective of positive contributions from personal consumption expenditures, non-residential fixed investment, exports, and residential fixed investment, amongst other influencing factors.

#### Energy prices

According to the World Bank's Commodity Markets Outlook in October 2017, energy prices increased approximately 2% in the third quarter of 2017 (quarter on quarter), primarily led by a 17% increase in coal prices due to China's focus on implementing measures to target environmental pollution and therefore cutting coal production.

In the case of metals, supply constraints coupled with a drop in stock levels held at London Metals Exchange ('LME') have underpinned price optimism for 2018. The significant emphasis on electric vehicles

which run on lithium batteries means high grade producers of energy metals are likely to benefit from the electrification of the automotive industry.

## 7.2. Australia

### Domestic growth

The Australian economy expanded by 0.6% in the September 2017 quarter, lower than what was initially anticipated. However, the economy is expected to strengthen over the coming years, and according to the Reserve Bank of Australia ('RBA'), growth is expected to average a little over 3% per annum over the next number of years.

Inflation in the country remains below the RBA's target of 2% to 3%, with headline inflation of 1.9% recorded over the year ended 31 December 2017. Inflation is likely to remain low for some time, due to factors such as low growth in labour costs and strong competition in retailing. However, a gradual pick-up of inflation is expected as the economy strengthens.

### Currency movements

On a trade-weighted basis, the Australian dollar has remained within a relatively narrow range for the past number of years. An appreciating exchange rate would be expected to hinder domestic growth and inflation compared to what is currently forecast.

### Outlook

The outlook for the Australian economy based on the RBA's February Statement on Monetary Policy is little changed from that of the November Statement on Monetary Policy. Low levels of interest rates are continuing to support the Australian economy, and gradual changes in reducing unemployment and inflation returning to target are expected.

According to the RBA, it will be some time before the economy reaches current estimates of full employment and inflation returns to the 2.5% midpoint of the target. As mentioned above, growth is forecast by the RBA to average approximately 3% over the next few years.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Philip Lowe, Governor: Monetary Policy Decision 6 February 2018, Statement on Monetary Policy - February 2018, World Bank

### Implications for Estrella

Strengthening global commodity prices, particularly energy metal prices, are likely to benefit Estrella in the long-term as it continues to expand its energy metals portfolio. Further, growing demand for products such as batteries for electric vehicles is expected to play an important role in energy metals explorers' (such as Estrella) operations as projects become more viable and the potential for production activities increase.

The location of all Estrella's assets, and those of CBN, are in Australia. This means Estrella is not exposed to increased international risks such as poor governance or limited human resources. As the economy continues to strengthen, this will provide Estrella with increased opportunities if it were to progress to production stage.

## 8. Industry analysis

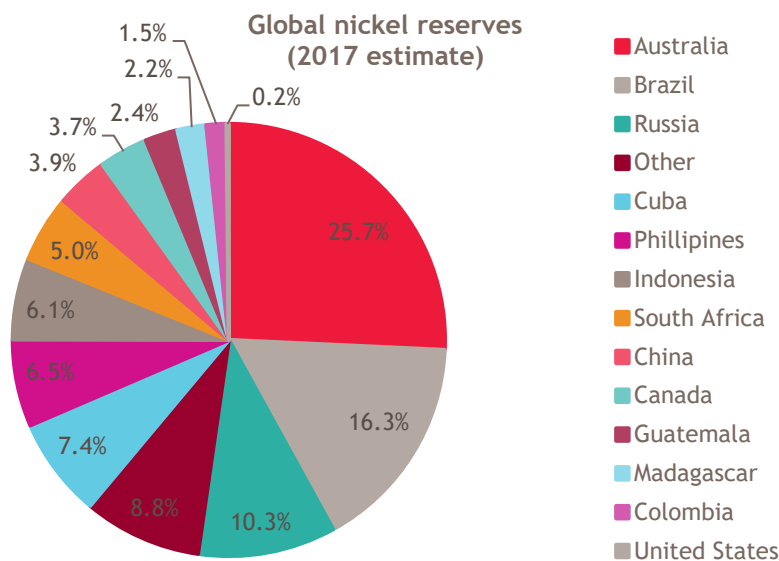
### 8.1 Nickel

Nickel is a transition element, has both ferrous and non-ferrous properties, and is both siderophile (i.e. associates with iron) and chalcophile (i.e. associates with sulphur). The majority of the nickel mined originates from two types of ore deposits being laterites and magmatic sulphide deposits.

Nickel is primarily sold for first use as a refined metal, or ferronickel. According to the United States Geological Survey ('USGS'), approximately 48% of the primary nickel consumed in 2017 went into stainless steel and alloy steel products, 40% into nonferrous alloys and superalloys, 8% into electroplating and 4% into other uses.

Over the past five years, nickel ore production volumes in Australia have decreased due to an overall decline in prices. In addition, Panoramic Resources Limited and Mincor Resources placed three nickel ore mines on care and maintenance in 2015-16 which contributed to reduced volumes of production. According to IBIS World, nickel ore production in Australia is expected to total 210.4 kilotonnes in the year 2017-18.

As shown in the figure below, Australia accounts for the largest percentage of global nickel ore reserves, followed by Brazil and Russia.



Source: USGS

### Nickel prices

The nickel price peaked at US\$33,185 per metric tonne ('Mt') on 5 March 2008 before plummeting approximately 73% to US\$8,934 per Mt on 5 December 2008 as a result of the global financial crisis. From mid-2009 to mid-2011, the nickel price strengthened along with the overall improvement in the global economy, albeit exhibiting some price drops along the way.

Nickel prices deteriorated over 2013, despite the global economy slowly recovering from the global financial crisis. This was largely a result of increased production of nickel pig iron in China, therefore

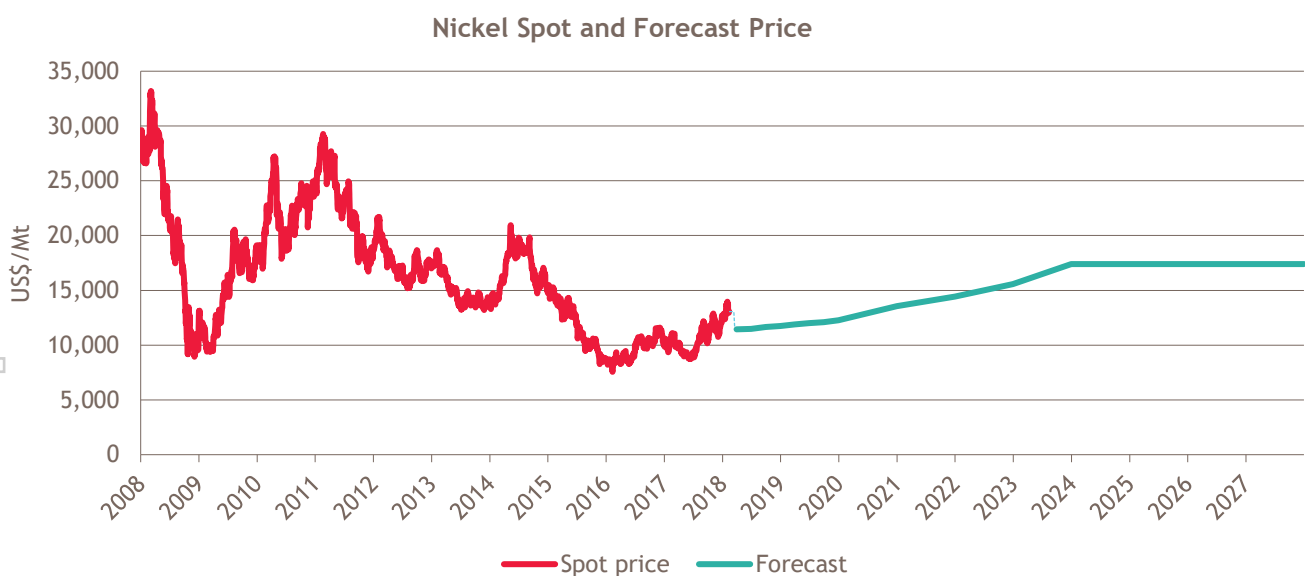
weakening demand for imported ferronickel. Furthermore, manufacturing cutbacks in Europe and the existence of economic issues were also contributing factors to the price decline. By November 2013, nickel stocks in LME warehouses were at record-high levels. Despite low price levels, a number of mining companies continued to bring on new nickel projects, reflective of positive sentiment surrounding a possible turnaround in the global economy.

During 2015, the price of nickel declined significantly. This decline can be primarily attributed to declining growth rates for global production of stainless steel, in addition to the commissioning of nickel refineries in Canada and Madagascar. The ramp up of nickel production in Brazil and New Caledonia was also a factor which impacted the decline in price over 2015.

Following the price plunge of around 42% over 2015, global mined nickel supply declined by 9.3% through May 2016. According to Bloomberg Intelligence, this decline was mainly due to the approximate 43% decline in Philippines mine output as five mines within the country were closed to enforce environmental standards, and an unforeseen build-up in Chinese nickel inventories.

Nickel lagged the upturn in other base metals in 2017, however has seen an improvement in price performance thus far in 2018. It is expected that stainless and alloy steel products will continue to dominate nickel demand to 2050. A particular focus over the next few years will be nickel used in the electric-vehicles market, given the substantial amount of nickel used in batteries for the sector. According to Bloomberg Intelligence, metals such as nickel used in electrical-vehicle production may gain from China which is the world's top metals buyer and is responsible for the largest global car market plans to phase out the production and sale of fossil-fuel powered vehicles.

A summary of the nickel spot price from 2 January 2008 to 12 February 2018 and Consensus Economics' long-term forecast to December 2027 is set out below.



Source: Bloomberg, Consensus Economics

According to Consensus Economics, nickel prices are forecast to increase in the long term, with a long term nominal price forecast of approximately US\$17,396 per Mt.

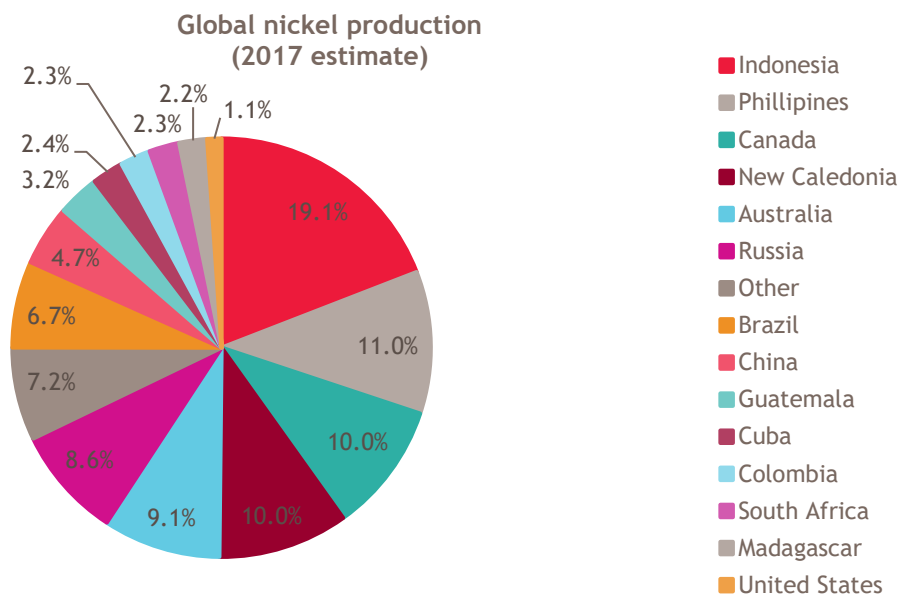
## Production and Usage

According to IBIS World, global nickel output is expected to grow over the next five years, with China expected to account for almost half of global nickel consumption by 2022-23. Factors such as government efforts to improve infrastructure such as road and rail networks, and increased spending on consumer durable goods which underpins strengthening demand for steel-intensive products such as televisions, are expected to be significant contributors to the growth in nickel demand over the next five years.

Nickel can be found in two different geological states, nickel sulphide and nickel laterite. The latter is associated with more complex mining processes and is therefore generally mined at newer mining sites. According to Geoscience Australia, approximately 80% of Australia's nickel production is derived from komatiite deposits in the Yilgarn Craton of Western Australia.

According to the USGS 2017 estimate, total global production for nickel decreased from 2.09 million tonnes in 2016 to approximately 2.1 million expected tonnes in 2017. Production was therefore essentially unchanged in 2017, with decreased production in several of the leading producing countries such as Australia, Brazil, Canada and the Philippines offset primarily by increased production in Indonesia.

The estimated global nickel production by country for 2017 is reflected in the figure below.



Source: USGS

## 8.2 Lithium

Lithium is a soft, silver-white metal belonging to the alkali metal group of chemical elements. It is approximately half as dense as water and is the lightest of all metals. It is highly reactive and is not found

as a metal in nature. Once processed, lithium becomes a soft, silver-white metal that is used in several industrial applications. Lithium is extracted from ores of petalite, lepidolite, spodumene and subsurface brines and is the world's 25<sup>th</sup> most abundant element. In the extraction of lithium from brines, the salt-rich waters are pumped to the surface into evaporation ponds where solar evaporation occurs over approximately 18 to 24 months per batch.

Lithium has many different uses, the most prominent being in that of batteries for phones, laptops and electric vehicles. According to the USGS, global-end use markets for lithium are estimated at 46% for batteries, 27% for ceramics and glass, 7% for lubricating greases, 5% for polyemmer production, 4% for continuous casting mold flux powders, 2% for air treatment and 9% for other uses. Lithium can also be used to strengthen and improve resistance in glasses and ceramics, along with being alloyed with aluminium and copper to reduce weight in airframe structural components.

### Demand

Demand from energy storage is transforming the lithium industry, with lithium consumption in consumer batteries and transportation batteries at approximately 40,000 to 50,000 tonnes of lithium carbon equivalent each in 2016. According to Bloomberg Intelligence, prices of battery-grade lithium carbonate have risen approximately 34% through 2017.

Demand for rechargeable lithium batteries exceeds that of other rechargeable batteries such as nickel-metal hydride batteries because of their higher power output, greater durability and cost advantages. The majority of this demand is driven by electric vehicles, energy grids, smartphones and tablet computers.

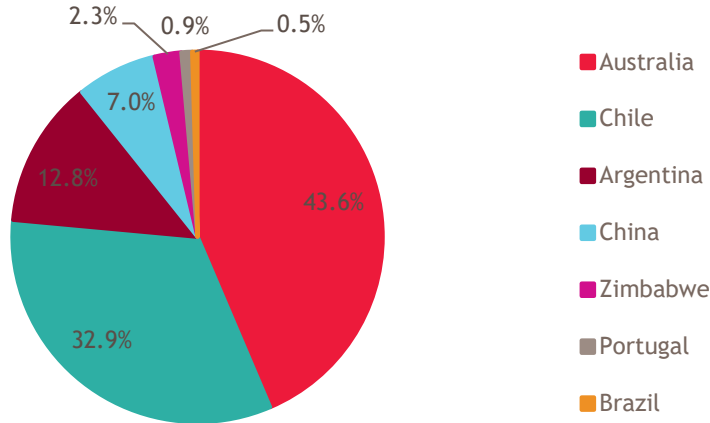
The growth in the electric car manufacturing industry is a key driver for lithium demand with leading manufacturers, as major players within the industry seek to start up big projects in the near future. Some factories are expected to produce 500,000 cars per year in the latter half of this decade, which would alone require the majority of the entire worldwide production of lithium ion batteries.

### Production and reserves

Global lithium production increased by an estimated 13% in 2017 in response to increased lithium demand for battery applications. As depicted in the figure below, Australia and Chile are estimated to have accounted for approximately 44% and 33% of global lithium production in 2017, respectively. Argentina also accounted for approximately 13% of global lithium production, however heavy snowfall limited production at its new brine operation.



Global Lithium Production  
(2017 estimate)

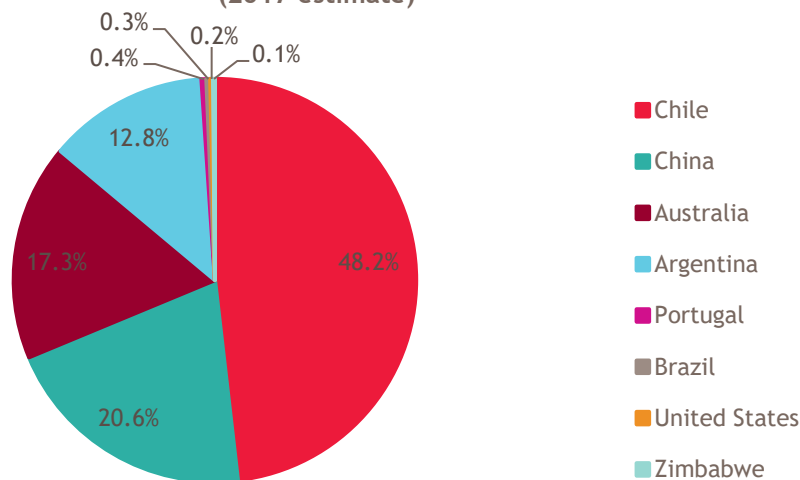


Source: USGS

Global lithium extraction is dominated by four large companies; being Albemarle Corporation, FMC Lithium Corporation, Sociedad Quimica y Minera de Chile S.A. ('SQM') and Tianqi Lithium Corporation. According to Bloomberg Intelligence, together, these four companies account for approximately 80% of the world's lithium supply. Albemarle Corporation, SQM and FMC Lithium Corporation recover lithium from subsurface brines in both Chile and Argentina, and Talison Lithium Pty Ltd which is jointly owned by Albemarle Corporation and Tianqi Lithium Corporation extracts lithium carbonate concentrate from hard-rock ore in Australia.

According to the USGS, global lithium resources have increased significantly due to continued exploration. As depicted in the figure below, Chile accounted for approximately 48% of global lithium reserves in 2017, followed by China at 21%, Australia at 17% and Argentina at 13%.

Global Lithium Reserves  
(2017 estimate)



Source: USGS

## Prices

Lithium trade is usually confined to a small number of producers and their customers, and as such, contract terms such as pricing are privately negotiated. Furthermore, there are an extensive range of products that can be made from lithium which leads to a range of prices that are dependent on the product and its' purity.

As announced in late October 2017, the LME is currently working with the battery and electric vehicle industries to build out its suite of contracts in 2018 with the addition of contracts for a number of metals, including lithium. If these lithium price contracts are introduced, the lithium market will likely see increased price transparency for the metal.

The lithium market has experienced worldly change due to the current growth in demand for electric vehicles and the potential for static power storage devices. Available information suggest that strong lithium pricing should be expected in 2018, largely due to a significant ramp-up in global battery and electric vehicle manufacturing as well as constrained output.

## Outlook

Battery applications are expected to be the driving force behind growth within the lithium industry going forward. The development of electric vehicles will head this growth, underpinned by use of portable electronics due the use of lithium-ion technology. The recycling of batteries is also said to play a key role in the supply of lithium in the medium to long term. As lithium is a resource with the ability to be recycled repeatedly, it reduces the need for new sources of lithium in the future.

### 8.3 Gold

Gold is a soft malleable metal which is highly desirable due to its rarity and unique mineral properties. Gold has been used in jewellery and as a form of currency for thousands of years, however in more recent history there has been increasing demand for its use in the manufacture of electronics, dentistry, medicine and aerospace technology.

In addition to its practical applications, gold also serves as an international store of monetary value, and is often referred to as a currency due to its ease of storage. Gold is widely regarded as a monetary asset as it is considered less volatile than world currencies and provides a safe haven investment during periods of economic uncertainty. Once mined, gold continues to exist indefinitely and is often melted down and recycled to produce alternative or replacement products. Consequently, demand for gold is supported by both gold ore mining and gold recycling. A summary of the supply of gold for the eight years through 2017 is provided in the table below:

Gold supply (tonnes)	2010	2011	2012	2013	2014	2015	2016	2017
Mine production	2,744	2,846	2,911	3,073	3,150	3,223	3,263	3,269
Net producer hedging	(109)	23	(45)	(28)	105	13	33	(30)
Recycled gold	1,683	1,668	1,691	1,263	1,189	1,120	1,295	1,160
<b>Total supply</b>	<b>4,318</b>	<b>4,537</b>	<b>4,557</b>	<b>4,308</b>	<b>4,444</b>	<b>4,356</b>	<b>4,591</b>	<b>4,399</b>

Source: World Gold Council

The gold ore mining industry has performed steadily in recent years, with growth driven by price increases and gold's status as a counter cyclical commodity. In Australia, gold ore mining is a well-established industry and has undergone robust growth over the past decade.

## Key external drivers

Global gold prices have a significant impact on the revenue generated by industry operators. When gold prices are low, gold miners are less likely to commit to projects with lower gold grades and higher production costs. Ultimately, a decline in gold prices reduces the viability of new and existing projects, which hinders industry growth and conversely, higher gold prices encourage operators to re-examine techniques used to access lower grade ore.

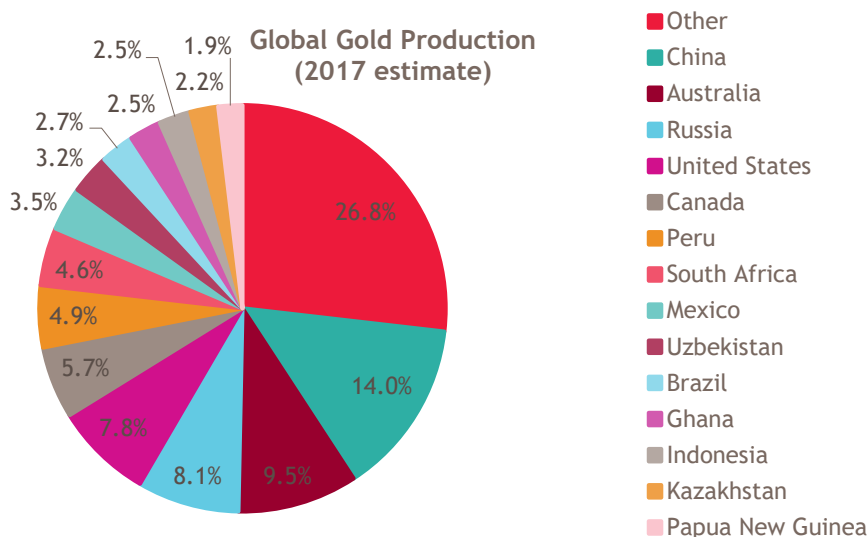
The global gold price is denominated in US dollars. Therefore, the exchange rate directly affects the returns received by local industry operators. A weaker domestic currency benefits the local industry by reducing prices in export markets and providing opportunities for expansion.

Global demand for gold is also influenced by global economic performance, which is inversely related due to the counter cyclical nature of gold. Stronger global GDP growth can therefore negatively impact gold demand and the gold industry. According to IBIS World, global economic performance is expected to strongly improve, which may place downward pressure on demand for gold.

## Gold ore mining trends

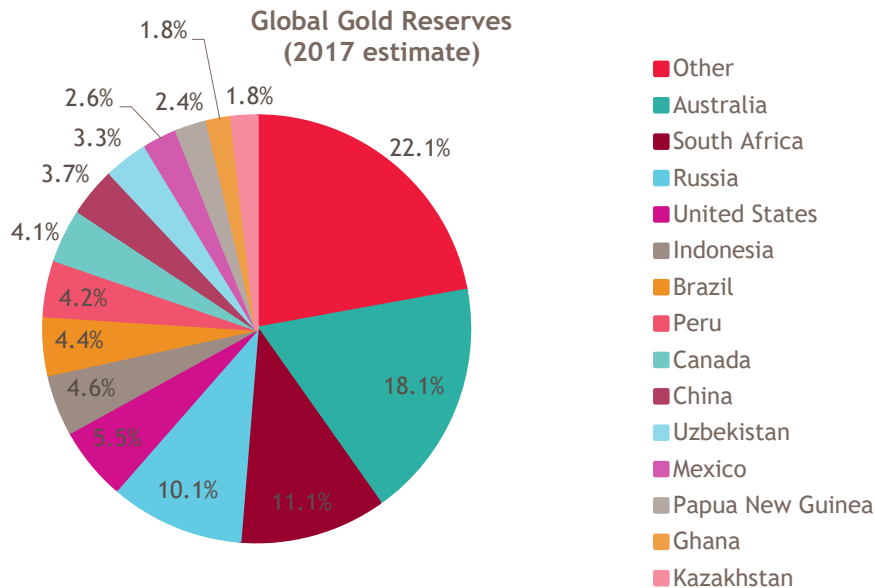
Gold ore mining is a capital intensive and high cost process, which is becoming increasingly difficult and more expensive as the quality of ore diminishes. The industry also incurs many indirect costs related to exploration, royalties, overheads, marketing and native title law. Typically, many of these costs are fixed in the short term as a result of industry operators' inability to significantly alter cost structures once a mine commences operation.

Until the late 1980s, South Africa produced approximately half of the total gold ore mined globally. More recently however, the industry has diversified geographically, with China and Australia dominating global gold production. According to the USGS, total estimated global gold ore mined for 2017 was approximately 3,150 metric tonnes. The chart below illustrates the estimated global gold production by country for the USGS 2017 estimate.



Source: USGS

Despite China and Australia accounting for approximately 24% of global gold production, Australia and South Africa are endowed with the largest known gold mine reserves globally. As depicted below, Australia and South Africa collectively account for approximately 29% of global gold reserves.



Source: USGS

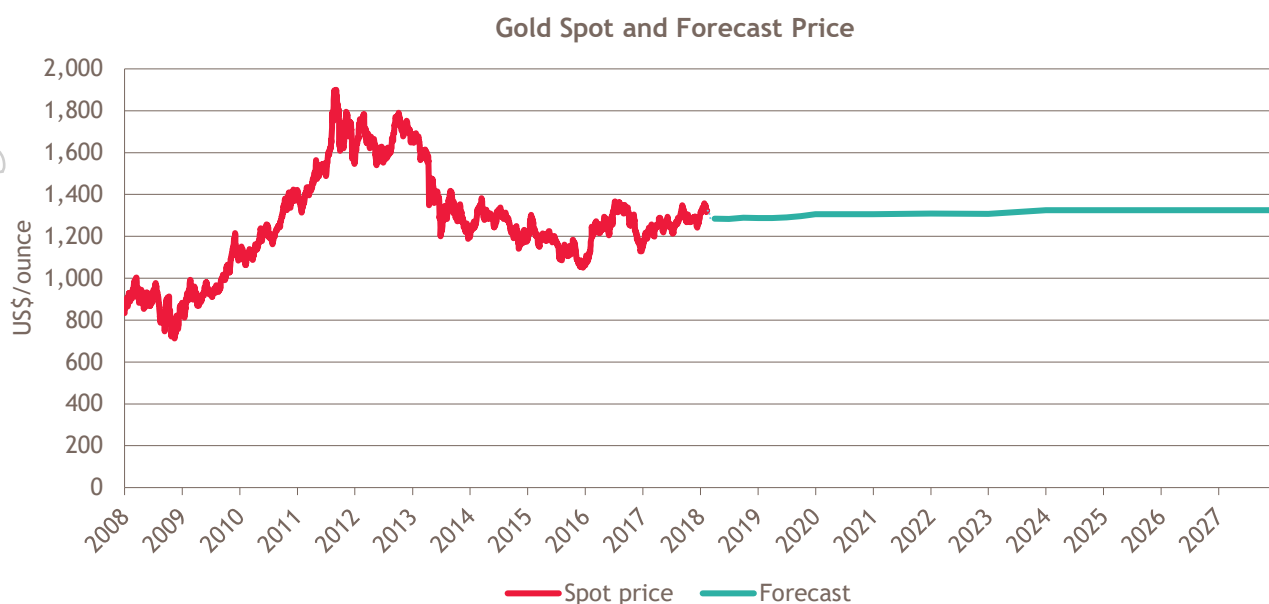
## Gold prices

The price of gold peaked at US\$1,900 per ounce on 5 September 2011, due largely to the debt market crisis in Europe and the Standard and Poor's downgrade of the US credit rating. Global stock markets subsequently went into turmoil, which saw a flood of investors flock towards safer havens such as gold.

The price of gold fluctuated around US\$1,700 per ounce during 2012 before entering a steep decline in 2013. The downturn represented the beginning of a correction in the price of gold, which had almost tripled in the two-year period prior to the European crisis in 2011. Improved market sentiment and increased risk appetite from investors saw gold prices continue to decline throughout 2014 and 2015 to US\$1,051 in December 2015. During 2016, gold prices strengthened, likely as a result of heightened uncertainty surrounding the US Presidential election and the United Kingdom's exit from the European Union. The price of gold reached US\$1,363 per ounce in late 2016 before stabilising around US\$1,200 per ounce for the first half of 2017.

More recently, factors such as a build-up in inflation expectations and risk aversion caused by volatility in cryptocurrencies have worked to support gold prices.

A summary of the gold spot price from 2 January 2008 to 16 November 2017 and Consensus Economics' long-term forecast to December 2026 is set out below. As at 8 March 2018, the gold price was approximately US\$1,322 per ounce.



Source: Bloomberg, Consensus Economics and BDO analysis

According to Consensus Economics, gold prices are forecast to remain relatively stable with a long term nominal price forecast of approximately US\$1,325 per ounce.

## 9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment such as the price of any recently undertaken capital raisings.

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

### 9.1 Valuation of the Asset to be Acquired

Under the terms of the Proposed Transaction, the Asset to be Acquired constitutes 100% of the issued capital in CBN.

In our assessment of the value of CBN, we have chosen to employ the NAV methodology which estimates the market value of a company by aggregating the assessed realisable value of its identifiable assets and liabilities.

We have chosen this methodology for the following reasons:

- we consider the NAV methodology to be the most appropriate to value CBN. This is because CBN's core value lies in the asset it holds, being the Carr Boyd Nickel Project, and is the primary asset which Estrella is seeking to acquire through the Proposed Transaction;
- CBN is a private company, and as such its shares are not listed on any exchange. This means there is not a regulated and observable market where CBN's shares can be traded, meaning we are unable to use the QMP methodology;
- the FME approach is most commonly applicable to profitable businesses with relatively stable growth histories and forecasts. However, we are unable to use this approach for CBN, given that CBN was only incorporated in March 2017, and there is no reasonable basis to assess future maintainable earnings of CBN at this point in time; and
- pursuant to RG 111, we do not consider that we have reasonable grounds to rely on forecast cash flows for CBN and therefore we do not consider the application of the DCF methodology to be appropriate.

In valuing CBN under the NAV method, we have relied on the Independent Valuation Report prepared by CSA Global Pty Ltd ('CSA') in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition) ('**Valmin Code**') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) ('**JORC Code**') ('**Independent Technical Report**').

We are satisfied with the valuation methodologies adopted by CSA in valuing CBN's assets which we consider to be in accordance with industry practices and compliant with the requirements of the Valmin Code and the JORC Code. The specific valuation methods used by CSA are referred to in the respective sections of our Report and in further detail in the Independent Technical Report contained in Appendix 3.

## 9.2 Valuation of the Consideration

Under the terms of the Proposed Transaction, the Consideration comprises Consideration Shares, Consideration Options and Cash Consideration.

We note that we have assessed the value of the Consideration Shares and Consideration Options on a post-transaction basis, assuming the Proposed Transaction is approved and Estrella acquires 100% of the issued capital of CBN ('**Proposed Merged Entity**'). We note that this is representative of the value that Estrella Shareholders are giving up, and illustrates the maximum impact the Proposed Transaction will have on Shareholders' existing interest in the Company.

### Consideration Shares

In our assessment of the value of a Consideration Share, we have chosen to employ the following methodologies:

- QMP as our primary methodology, as this represents the value that a Shareholder may receive for a share if it were sold on the market;
- NAV as our secondary methodology, which estimates the market value of a company by aggregating the assessed realisable value of its identifiable assets and liabilities; and
- a market based assessment based on the price of Estrella's recently undertaken capital raising.

We have chosen these methodologies for the following reasons:

- we consider the NAV methodology to be the most appropriate to value the shares in the Proposed Merged Entity. This is because Estrella is an exploration company, and its core value lies in the mineral assets it holds. Further, CBN's primary asset is the Carr Boyd Nickel Project, which Estrella is seeking to acquire under the Proposed Transaction. We have instructed CSA to act as independent specialist to value the mineral assets of both Estrella and CBN, and have considered this in the context of the Proposed Merged Entity's other assets and liabilities on a NAV basis;
- we consider the QMP methodology to be relevant as Estrella's shares are listed on the ASX, which means there is a regulated and observable market where Estrella's shares can be traded. However, in order for the QMP methodology to be considered appropriate for the purposes of a valuation, the Company's shares should be liquid and active. Our analysis in section 11.1.2 indicates that there is a liquid and active market for Estrella's shares, which allows the QMP method to be used as a secondary methodology. We note that we have considered post-announcement pricing in our QMP analysis (i.e. following the Proposed Transaction), as this price may reflect some of the Benefits of the Proposed Merged Entity, depending on whether the market has confidence that the Proposed Transaction will proceed;
- we have considered a market based assessment, based on the price of Estrella's capital raising undertaken in October 2017. This capital raising was undertaken following the announcement of the Proposed Transaction, and may represent an indicative value of a share in the Proposed Merged Entity;
- the FME approach is most commonly applicable to profitable businesses with relatively stable growth histories and forecasts. However, we are unable to use this approach with regards to a share in the Proposed Merged Entity, given that the financial information that is available to us indicates Estrella has been operating at a loss historically. Further, CBN was only incorporated in March 2017. As such we do not have a reasonable basis to assess future maintainable earnings of Estrella and CBN at this point in time; and
- pursuant to RG 111, we do not consider that we have reasonable grounds to rely on forecast cash flows for either Estrella or CBN and therefore we do not consider the application of the DCF methodology to be appropriate.

In valuing the Proposed Merged Entity under the NAV method, we have relied on the Independent Technical Report prepared by CSA.

We are satisfied with the valuation methodologies adopted by CSA in valuing both Estrella and CBN's assets which we consider to be in accordance with industry practices and compliant with the requirements of the Valmin Code and the JORC Code. The specific valuation methods used by CSA are referred to in the respective sections of our Report and in further detail in the Independent Technical Report contained in Appendix 3.

### Consideration Options

Options without market based vesting conditions can be exercised at any time following vesting up to expiry date, and as such are more suitably valued using a Black Scholes option pricing model.

Under option valuation theory, no discount is made to the fundamental value derived from the option valuation model for unlisted options over listed shares. Option pricing models assume the exercise of an option does not affect the value of the underlying asset.

If the Proposed Transaction is approved, Estrella will issue 17 million unlisted options to Apollo shareholders. In valuing the Consideration Options, we have used the Black Scholes option pricing model. Our assumptions are detailed in Section 11.2.

### Cash Consideration

Under the HOA, the Cash Consideration relates to an upfront cash payment of \$176,000 which was paid by Estrella to Apollo and received by Apollo on 6 November 2017.

## 10. Valuation of the Asset to be Acquired

Under the terms of the Proposed Transaction, Estrella is seeking to acquire 100% of CBN from Apollo. Therefore, the Asset to be Acquired constitutes 100% of the issued capital in CBN, which owns the Carr Boyd Nickel Project.

### 10.1 Net Asset Valuation of CBN

We have considered the NAV method to value CBN, with the value of CBN's assets on a going concern basis reflected in our valuation below:

Historical Balance Sheet	Ref	As at 31-Dec-17 A\$	Low value A\$	Preferred value A\$	High value A\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		100	100	100	100
<b>TOTAL CURRENT ASSETS</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>NON-CURRENT ASSETS</b>					
Exploration and evaluation expenditure	a)	145,171	500,000	1,500,000	2,700,000
Intangibles	b)	990	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>146,161</b>	<b>500,000</b>	<b>1,500,000</b>	<b>2,700,000</b>
<b>TOTAL ASSETS</b>		<b>146,261</b>	<b>500,100</b>	<b>1,500,100</b>	<b>2,700,100</b>
<b>CURRENT LIABILITIES</b>					
Borrowings	c)	4,110	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,110</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>4,110</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		<b>142,151</b>	<b>500,100</b>	<b>1,500,100</b>	<b>2,700,100</b>

Source: CBN's trial balance as at 31 December 2017 and BDO analysis

The table above indicates the net asset value of CBN, and therefore the value of the Consideration, is in the range of \$0.5 million and \$2.7 million, with a preferred value of \$1.5 million.

#### Note a) Exploration and evaluation expenditure

We have instructed CSA to provide an independent market valuation of the mineral assets held by CBN. CSA considered a number of different valuation methods when valuing the mineral assets of CBN. CSA elected to apply the following methodologies:

- market-based assessment using comparable transaction analysis (based on area); and
- geoscientific (Kilburn) methodologies.

We consider these methodologies to be appropriate given that the Carr Boyd Nickel Project is an advanced exploration project. Further information regarding CSA's valuation of CBN's mineral assets is included in CSA's Independent Technical Report contained in Appendix 3.



The range of values for CBN's mineral assets, as assessed by CSA, is set out below:

Valuation of the Carr Boyd Nickel Project	Low value A\$m	Preferred value A\$m	High value A\$m
Valuation of mineral assets	0.5	1.5	2.7

Source: CSA's Independent Technical Report

The table above indicates the value of CBN's mineral assets, as assessed by CSA, is between \$0.5 million and \$2.7 million, with a preferred value of \$1.5 million.

#### Note b) Intangibles

The adjusted net asset value excludes intangible assets. Therefore, we have removed intangibles of \$990 related to formation costs as at 31 December 2017 in our assessment of the net asset value of CBN.

#### Note c) Borrowings

Upon completion of the Proposed Transaction, all amounts under the loan from Apollo to CBN will be forgiven. Therefore, we have adjusted this value to nil.

## 11. Valuation of the Consideration

Under the terms of the Proposed Transaction, the Consideration comprises Consideration Shares, Consideration Options and Cash Consideration.

### 11.1 Consideration Shares

#### 11.1.1. Net Asset Valuation of the Proposed Merged Entity

We have considered the NAV method to value a share in the Proposed Merged Entity, with the combined value of Estrella and CBN's assets on a going concern basis reflected in our valuation below:

NAV of the Proposed Merged Entity	Ref	Low value A\$	Preferred value A\$	High value A\$
NAV of Estrella prior to the Proposed Transaction	11.1.1.1.	2,513,559	3,913,559	5,213,559
Add: NAV of CBN	11.1.1.2.	500,100	1,500,100	2,700,100
<b>Value of the Proposed Merged Entity (controlling interest basis)</b>		<b>3,013,659</b>	<b>5,413,659</b>	<b>7,913,659</b>
Discount for minority interest (%)	11.1.1.3.	20.0%	18.4%	16.7%
<b>Value of the Proposed Merged Entity (minority interest basis)</b>		<b>2,410,927</b>	<b>4,417,546</b>	<b>6,592,078</b>
Number of shares on issue in the Proposed Merged Entity	11.1.1.4.	471,883,292	471,883,292	471,883,292
<b>Value per share in the Proposed Merged Entity (minority interest basis)</b>		<b>0.005</b>	<b>0.009</b>	<b>0.014</b>

Source: BDO analysis, Bloomberg

We have assessed the value of a share in the Proposed Merged Entity to be between \$0.005 and \$0.014 with a preferred value of \$0.009.

### 11.1.1.1. Net Asset Valuation of Estrella

A summary of Estrella's assets on a going concern basis is reflected in our valuation below:

	Ref	As at 30-Jun-17 A\$	Low value A\$	Preferred value A\$	High value A\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	a)	910,767	1,118,000	1,118,000	1,118,000
Trade and other receivables		37,824	37,824	37,824	37,824
<b>TOTAL CURRENT ASSETS</b>		<b>948,591</b>	<b>1,155,824</b>	<b>1,155,824</b>	<b>1,155,824</b>
<b>NON-CURRENT ASSETS</b>					
Plant and equipment		826	826	826	826
Exploration and evaluation expenditure	b)	2,846,352	1,500,000	2,900,000	4,200,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,847,178</b>	<b>1,500,826</b>	<b>2,900,826</b>	<b>4,200,826</b>
<b>TOTAL ASSETS</b>		<b>3,795,769</b>	<b>2,656,650</b>	<b>4,056,650</b>	<b>5,356,650</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables		143,091	143,091	143,091	143,091
<b>TOTAL CURRENT LIABILITIES</b>		<b>143,091</b>	<b>143,091</b>	<b>143,091</b>	<b>143,091</b>
<b>TOTAL LIABILITIES</b>		<b>143,091</b>	<b>143,091</b>	<b>143,091</b>	<b>143,091</b>
<b>NET ASSETS</b>		<b>3,652,678</b>	<b>2,513,559</b>	<b>3,913,559</b>	<b>5,213,559</b>

Source: Estrella's audited financial statements for the year ended 30 June 2017, BDO analysis

We have been advised that other than as set out below, there has not been a significant change in the net assets of Estrella since 30 June 2017. The table above indicates the net asset value of Estrella is between \$2.5 million and \$5.2 million, with a preferred value of \$3.9 million.

The following adjustments were made to the net assets of Estrella as at 30 June 2017 in arriving at our valuation.

#### Note a) Cash and cash equivalents

We have adjusted the cash and cash equivalents balance to account for movements during the six months ended 31 December 2017, which includes the upfront cash payment of \$176,000. The adjusted cash and cash equivalents for Estrella is summarised in the table below:

Cash and cash equivalents	\$
Cash and cash equivalents at 30 June 2017	910,767
Add: Movements over the six months to 31 December 2017	207,233
<b>Adjusted cash and cash equivalents</b>	<b>1,118,000</b>

Source: Estrella's quarterly cash flow report for the quarter ended 31 December 2017

#### Note b) Exploration and evaluation assets

We have instructed CSA to provide an independent market valuation of the mineral assets held by Estrella. In valuing Estrella's WEMP, CSA considered a number of different valuation methods. CSA elected to apply the following methodologies:

- market-based assessment using comparable transaction analysis (based on area and resources);
- geoscientific methodologies; and
- yardstick method.

We consider these methodologies to be appropriate given the pre-feasibility stage of development for the WEMP. Further information regarding CSA's valuation of CBN's mineral assets is included in CSA's Independent Technical Report contained in Appendix 3.

The range of values for Estrella's mineral assets, as assessed by CSA, is set out below:

Valuation of Estrella's mineral assets	Low value \$m	Preferred value \$m	High value \$m
WEMP lithium licenses	0.5	1.2	1.8
WEMP nickel licenses	0.1	0.3	0.4
WEMP Munda license	0.9	1.4	2.0
<b>Valuation of mineral assets</b>	<b>1.5</b>	<b>2.9</b>	<b>4.2</b>

Source: CSA's Independent Technical Report

The table above indicates the value of Estrella's mineral assets, as assessed by CSA, is between \$1.5 million and \$4.2 million, with a preferred value of \$2.9 million.

#### 11.1.1.2. Net Asset Valuation of CBN

The NAV of CBN is the same as that set out in our NAV of CBN under Section 10.1. Please refer to this section for further details.

#### 11.1.1.3. Discount for minority interest

The value of a Consideration Share in the Proposed Merged Entity derived under the NAV method is reflective of a controlling interest, as it assumes control over 100% of the entity's assets. We have therefore adjusted the net asset valuation by applying a minority discount, as the vendors will be receiving shares representing a minority position in the Proposed Merged Entity.

The minority discount is based on the inverse of the control premium.

We have reviewed the control premiums on completed transactions, paid by acquirers of mining companies listed on the ASX. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where the acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium).

We have summarised our findings below.

Completion year	Number of Control Transactions	Average Deal Value (A\$m)	Average Control Premium (%)
2018	2	35.14	79.63
2017	3	20.76	32.90
2016	13	59.54	74.92
2015	9	340.82	57.86
2014	15	118.46	47.88
2013	17	117.99	63.99
2012	18	207.01	52.45
2011	21	811.55	37.42
2010	21	555.11	50.61
2009	20	121.99	50.44
2008	18	631.60	33.19
<b>Mean</b>		<b>274.54</b>	<b>52.84</b>
<b>Median</b>		<b>121.99</b>	<b>50.61</b>

Source: Bloomberg and BDO analysis

The mean and median figures presented above are calculated based on the average deal value and control premium for each respective year. To ensure our data is not skewed, we have also calculated the mean and median of the entire data set comprising control transactions from 2008 onwards, as set out below.

Entire Data Set Metrics	Average Deal Value (A\$m)	Average Control Premium (%)
Mean	347.41	50.69
Median	44.74	39.66

Source: Bloomberg and BDO analysis

The table above indicates that the long term average of announced control premiums paid by acquirers of general mining companies on the ASX is approximately 51%. However, in assessing the sample of transactions included in the table, we noted transactions that appear to be extreme outliers. These outliers included 16 transactions in which the announced premium was in excess of 100%.

In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the review period was approximately 40%.

In arriving at an appropriate control premium to apply, in order to derive a minority discount, we note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;
- level of pre-announcement speculation of the transaction;
- level of liquidity in the trade of the acquiree's securities.

In the case of the Proposed Merged Entity, we have taken a number of influencing factors into account. Specifically, we note that Estrella's auditor issued an emphasis of matter paragraph in the financial report for the year ended 30 June 2017. The auditor outlined the existence of a material uncertainty in relation to the Company's ability to continue as a going concern due to the Company incurring a net loss of \$733,365 and having net operating cash outflows of \$489,980 during the year. Further, we note Estrella and CBN are both mineral exploration companies and therefore they do not currently have any revenue generating operations.

In addition to the above, we have also considered the level of liquidity of the Proposed Merged Entity based on post-announcement activity. As we have noted below in section 11.1.2, over the 85 trading days following the announcement of the Proposed Transaction, approximately 34.71% of the Company's shares were traded. This indicates that there is a moderately liquid market for the Company's, and therefore effectively the Proposed Merged Entity's, shares.

Based on the above analysis, we consider an appropriate premium for control for the Proposed Merged Entity to be in the range of 20% to 25%, with a midpoint of 22.5%. This therefore implies a minority discount in the range of 16.7% and 20.0%, with a midpoint of 18.4%.

#### 11.1.1.4. Number of shares on issue in the Proposed Merged Entity

Under the terms of the Proposed Transaction, Estrella will issue 42.6 million fully paid shares in the Proposed Merged Entity to Apollo, as well as 17 million unlisted options.

As at the date of our Report, Estrella has 429,283,292 shares on issue. Following the issue of the 42.6 million Consideration Shares to Apollo, Estrella will have 471,883,292 shares on issue, as set out below.

Shares on issue in the Proposed Merged Entity	Number
Shares on issue (9 February 2018)	429,283,292
Add: Consideration Shares	42,600,000
<b>Total number of shares on issue in the Proposed Merged Entity</b>	<b>471,883,292</b>

Source: BDO analysis

As a result of the above, the value per share of the Proposed Merged Entity is between \$0.005 and \$0.014, with a preferred value of \$0.009. Therefore, all options currently on issue, as well as the Consideration Options and those to be issued under the attached Notice of Meeting, will be out-of-the-money. Therefore, we have not considered the exercise of options in our assessment of the value per share in the Proposed Merged Entity. A summary of the options currently on issue in Estrella are contained in Section 5.3.

#### 11.1.2. Quoted Market Prices for Estrella's securities

To provide a comparison to the valuation of the Proposed Merged Entity in Section 11.1.1, we have also assessed the quoted market price for an Estrella share.

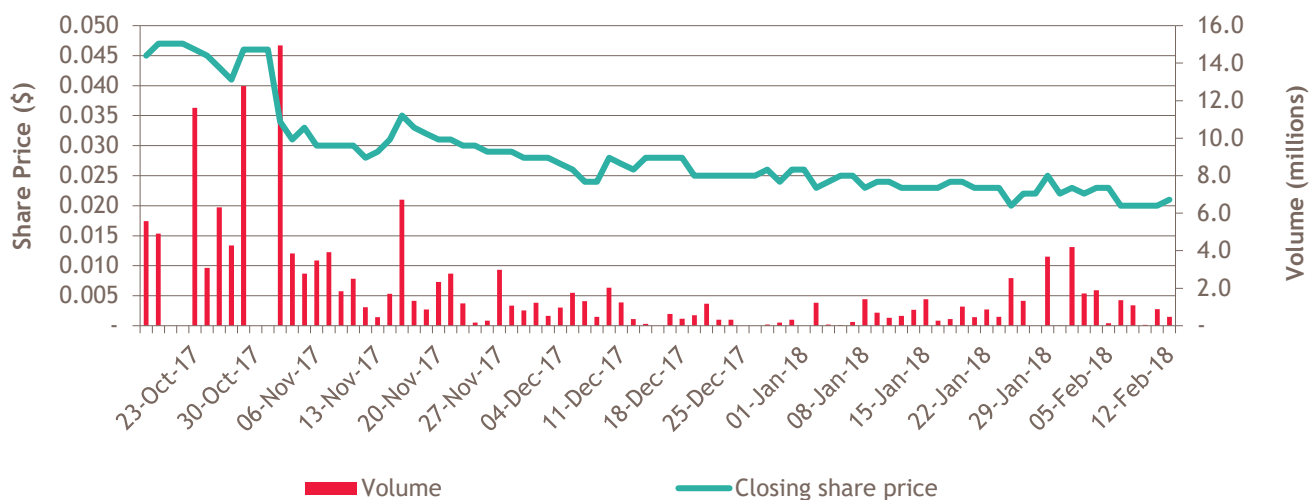
The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

We note that the Proposed Transaction is not a control transaction, and thus there is no requirement for a premium for control. We have therefore addressed the minority interest value reflected in the quoted market price.

Information on the Proposed Transaction was announced to the market on 16 October 2017. We have assessed the quoted market price for an Estrella share following the announcement of the Proposed Transaction, as the value of an Estrella share following the announcement is likely to include the effects of any change in value as a result of the Proposed Transaction. Effectively, the post-announcement pricing therefore reflects that of the Proposed Merged Entity, depending on whether the market has confidence the Proposed Transaction will succeed.

Therefore, the following chart provides a summary of the share price movement over the 85 days from 17 October 2017 to 12 February 2018.

ESR share price and trading volume history



Source: Bloomberg

Over the assessed period, the closing price of an Estrella share reached a high of \$0.047 on 18 October 2017 and a low of \$0.020 on 24 January 2018. The share price has exhibited an overall decreasing trend, and has fluctuated between \$0.020 and \$0.025 in January and February 2018. The day with the highest volume of trading over the assessed period was 1 November 2017, when 14,944,541 shares were traded.

During the period from 17 October 2017 to 12 February 2018, a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
30/01/2018	Quarterly Activities Report	0.022	▼	12.0%	0.023	▲	4.5%
30/01/2018	Quarterly Cashflow Report	0.022	▼	12.0%	0.023	▲	4.5%
08/12/2017	Exploration Update on the Carr Boyd Nickel Project	0.028	▲	16.7%	0.028	►	0.0%
27/11/2017	Exploration Update on the Carr Boyd Nickel Project	0.029	►	0.0%	0.028	▼	3.4%
02/11/2017	Drilling Update Carr Boyd Nickel Project - Amended	0.031	▼	8.8%	0.030	▼	3.2%
01/11/2017	Drilling Update Carr Boyd Nickel Project	0.034	▼	26.1%	0.030	▼	11.8%
30/10/2017	Trading Halt	0.046	►	0.0%	0.031	▼	32.6%
27/10/2017	Quarterly Activities and Cashflow Report	0.046	▲	12.2%	0.034	▼	26.1%
23/10/2017	Oversubscribed Placement to Raise \$1,360,000	0.046	▼	2.1%	0.041	▼	10.9%
19/10/2017	Sir William Wallace Drilling Update	0.047	►	0.0%	0.045	▼	4.3%
19/10/2017	Trading Halt	0.047	►	0.0%	0.045	▼	4.3%

Source: Bloomberg, BDO analysis

On 30 January 2018, the Company released its quarterly cash flow and activities report for the quarter ended 31 December 2017. On the date of the announcement, the share price decreased by 12.0% to close at \$0.022. However, over the subsequent three trading days the share price increased by 4.5%.

On 8 December 2017, Estrella provided a drilling update on the Carr Boyd Nickel Project. On the date of the announcement, the share price increased by 16.7% to close at \$0.028. Over the following three trading days, the share price remained unchanged.

On 27 November 2017, the Company released an update in regards to the Carr Boyd Nickel Project, which states a second hole had been drilled and a co-funded hole was underway at the Sir William Wallace target. On the date of the announcement, the share price remained unchanged at \$0.029. However, over the subsequent three trading days decreased by 3.4% to close at \$0.028.

On 2 November 2017, the Company provided an amended drilling update on the Carr Boyd Nickel Project further from its announcement dated 1 November 2017. On the date of the announcement, the share price decreased by 8.8% to close at \$0.031. Over the subsequent three trading days, the share price continued to decrease by 3.2% to close at \$0.030.

On 1 November 2017, the Company provided a drilling update on the Carr Boyd Nickel Project. Specifically, the announcement highlighted that nickel and copper sulphides intersected on the basal contact of the Carr Boyd Layered Complex from Handheld X-ray Diffraction readings. On the date of the announcement, the share price decreased by 26.1% to close at \$0.034. The share price continued to decline by 11.8% over the subsequent three trading days, to close at \$0.030.

On 30 October 2017, Estrella's securities were placed in a trading halt at the request of the Company, pending the release of an announcement. Due to the trading halt, the share price remained unchanged on the date of the announcement. However, over the subsequent three trading days the share price decreased by 32.6%. We note a number of announcements were released over the subsequent three trading days, therefore this may incorporate their effects on the market.

On 27 October 2017, the Company released its quarterly activities report for the quarter ended 30 September 2017. The report highlighted the most significant development during the quarter being the acquisition of WA Nickel, and lithium rights ownership over M15/87 now being 100%. On the date of the announcement, the share price increased by 12.2% to close at \$0.046. However, over the subsequent three trading days the share price declined by 26.1% to close at \$0.034.

On 23 October 2017, the Company announced that it had received commitments to place 34 million fully paid ordinary shares to sophisticated investors at \$0.040 per share to raise a total of \$1.36 million before costs. The announcement further detailed the placement was oversubscribed by investors post the release of the recent drilling update for the Sir William Wallace target located at the Carr Boyd Nickel Project. On the date of the announcement, the share price declined by 2.1% to close at \$0.046. The share price continued to decline over the following three trading days to close at \$0.041.

On 19 October 2017, Estrella's securities were placed on a trading halt at request of the Company, pending the release of an announcement by the Company. On the same date, the Company released an announcement detailing a drilling update on the Carr Boyd Nickel Project. This announcement was not an end to the trading halt, and therefore the share price remained unchanged on the date of the announcement. Over the subsequent three trading days, the Estrella share price declined by 4.3% to close at \$0.045.



To provide further analysis of the market prices for a share in Estrella, and effectively the Proposed Merged Entity, we have also considered the weighted average market price for 10, 30, 60 and 85 day periods to 12 February 2018.

Share Price per unit	12-Feb-18	10 Days	30 Days	60 Days	85 Days
Closing price	\$0.021				
Volume weighted average price (VWAP)		\$0.021	\$0.022	\$0.025	\$0.034

Source: Bloomberg, BDO analysis

An analysis of the volume of trading in Estrella shares for the 85 trading days to 12 February 2018 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.019	\$0.021	468,278	0.11%
10 Days	\$0.018	\$0.023	11,787,090	2.75%
30 Days	\$0.018	\$0.025	29,585,142	6.89%
60 Days	\$0.018	\$0.034	52,765,607	12.29%
85 Days	\$0.018	\$0.050	149,003,279	34.71%

Source: Bloomberg, BDO analysis

The above table indicates that Estrella's, and therefore the Proposed Merged Entity's, shares display a moderate level of liquidity, with 34.71% of the Company's current issued capital being traded in an 85-day period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- regular trading in a company's securities;
- approximately 1% of a company's securities are traded on a weekly basis;
- the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- there are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

We have assessed the weekly liquidity of Estrella's shares, with most weeks over the assessed period exhibiting a volume of trades at a level approximately at or above 1% of the Company's issued capital. This indicates that there is likely to be a moderately liquid market for the Proposed Merged Entity's shares. Furthermore, we do not consider there to be any significant but unexplained movements in share price.

Our assessment is that a range of values for a share in the Proposed Merged Entity based on post-announcement market pricing, is between \$0.018 and \$0.034, with a midpoint value of \$0.026.



### 11.1.3. Market based assessment - capital raising price

To provide a comparison to the valuation of a share in the Proposed Merged Entity in Section 11.1.1., we have assessed the value of a share in the Proposed Merged Entity using a market valuation based on recent capital raisings conducted by the Company.

As announced on 23 October 2017, the Company received commitments to place 34 million fully paid ordinary shares to sophisticated investors at \$0.040 per share to raise a total of \$1.36 million before costs.

The placement price represented a 50% increase over the Company's last placement undertaken in January 2017, and was oversubscribed by investors.

We note on the date of the announcement; Estrella's closing share price was \$0.046, therefore the capital raising price represented a 13% discount to the then-current trading price. Since then, Estrella's share price has declined to lower levels, closing at \$0.021 on 12 February 2018.

As a result of the above, we do not consider the issue price of the capital raising undertaken in October 2017 to represent an accurate reflection of a current value per share in the Proposed Merged Entity. This is because at current trending share price levels, it is unlikely Estrella would be able to undertake a capital raising at the same issue price of \$0.040 per share.

Applying a 13% discount, being the discount experienced in the October 2017 capital raising undertaken by Estrella, to the QMP value derived in Section 11.1.2. gives a value range of \$0.015 to \$0.029.

### 11.1.4. Assessment of the value of the Consideration Shares

The results of our valuation of a Consideration Share following the Proposed Transaction are summarised in the table below:

Valuation of a Consideration	Ref	Low value \$	Preferred value \$	High value \$
NAV of the Proposed Merged Entity	11.1.1.	0.005	0.009	0.014
QMP methodology (post-announcement pricing)	11.1.2.	0.018	0.026	0.034

Source: BDO analysis

We note the values obtained under the QMP methodology are higher than the values obtained from the NAV methodology. The difference in values may be explained by the following:

- it is not uncommon for exploration companies to trade at a premium to their intrinsic value. This is because investors in mining exploration companies typically anticipate some potential upside of 'blue sky' prospects for the company, which are factored into the share price in advance of any such value being realised;
- our NAV valuation includes an independent valuation of both Estrella and CBN's mineral assets performed by CSA. CSA have adopted a combination of valuation methodologies, which reflect the market value of the WEMP and the Carr Boyd Nickel Project. Depending on the assumptions used, investors may yield a higher value than that derived from the market based assessment (comparable transaction analysis), yardstick and geoscientific/Kilburn methodologies adopted by CSA;
- the wide range of CBN's assets as assessed by CSA, being from \$0.5 million to \$2.7 million with a preferred value of \$1.5 million, may indicate the existence of some uncertainty as to the exact value of the Carr Boyd Nickel Project;

- the QMP value reflects investors' perception of the future prospects of both the WEMP and the Carr Boyd Nickel Project, and as such, may reflect a more positive sentiment towards future commodity prices.

Ultimately, the value of a share in a company is equal to the price at which a knowledgeable and willing, but not anxious, buyer, transacts with a knowledgeable and willing, but not anxious seller, acting at arm's length. In the case of a listed company, this price is reflected in the company's share price or QMP. However, in order for the QMP methodology to be considered appropriate for the purposes of a valuation, the market for the company's shares should be liquid, active and fully informed on the company's activities.

Our analysis in Section 11.1.2. indicates there exists a liquid and active market for Estrella's, and therefore the Proposed Merged Entity's, shares. Therefore, our QMP analysis provides the most reliable basis to value a share in the Proposed Merged Entity and is our primary valuation approach.

Based on our discussion above, we consider the value of a share in the Proposed Merged Entity to be between \$0.018 and \$0.034, with a midpoint value of \$0.026.

Under the terms of the Proposed Transaction, Estrella will issue 42.6 million Consideration Shares to Apollo. As such, the total value of the Consideration Shares is summarised below.

Total value of the Consideration Shares	Ref	Low value \$	Midpoint value \$	High value \$
Value per share in the Proposed Merged Entity	11.1.2.	0.018	0.026	0.034
Number of Consideration Shares		42,600,000	42,600,000	42,600,000
<b>Total value of the Consideration Shares</b>		<b>766,800</b>	<b>1,107,600</b>	<b>1,448,400</b>

Source: BDO analysis

As depicted above, the total value of the Consideration Shares is in the range from \$0.77 million to \$1.45 million, with a midpoint value of \$1.11 million.

## 11.2 Consideration Options

As part of the Consideration, Estrella will issue 17 million unlisted options to Apollo shareholders.

Set out below is a summary of our valuation of the Consideration Options.

### Valuation methodology

We have used a Black Scholes option pricing model to calculate the value of the Consideration Options to the Apollo shareholders.

In valuing the Consideration Options, we made the following assumptions regarding the inputs required for the Black Scholes option pricing model.

### Valuation date

The Consideration Options will be issued to Apollo at a future date, being the date of completion of the Proposed Transaction. For the purpose of our valuation, we have adopted 12 February 2018 as our valuation date.

### Value of the underlying security

The underlying security price is the financial instrument on which an option's value is based. As the Consideration Options will be issued upon completion of the Proposed Transaction, we have used the

range of values derived in Section 11.1.4. in our value of the underlying security. This is because following the Proposed Transaction, the underlying security will be a share in the Proposed Merged Entity.

Therefore, the value of the underlying security ranges from \$0.018 and \$0.034, with a midpoint value of \$0.026.

### Exercise price of the Consideration Options

The exercise price of the Consideration Options is the price at which the underlying ordinary shares in the Proposed Merged Entity will be issued. The exercise price of the Consideration Options is \$0.050, which we have used as an input to the Black Scholes option pricing model.

### Life of the Consideration Options

We have estimated the life of the Consideration Options for the purpose of our valuation. The minimum life of an option is the length of any vesting period. The maximum life is based on the expiry date, which is three years from the date of issue.

Under AASB 2 “Share Based Payments”, the expected life of the Consideration Options needs to reflect the potential for early exercise. The potential for early exercise tends to reduce the effective life, and consequently the value of options.

With consideration for this, there are many factors that determine the rationale for exercising options and therefore, the effective life of those options.

There is a limited track record of unlisted options being exercised early. Generally, early exercise occurs:

- if the options are deep in the money as it is profitable for the holder of the option to exercise the options;
- if the stock pays a dividend as the opportunity cost of holding the option is high;
- if the volatility of the underlying share price is low as the probability of the options becoming deeper in the money is low relative to a highly volatile stock; and
- when the options are held by junior level employees. Senior employees are more likely to continue employment with the company and therefore there is no incentive to exercise their options.

For the purposes of the valuation of the Consideration Options, we have estimated an exercise date as the expiry date, giving the Consideration Options an effective life of three years, which we have used as an input to the Black Scholes option pricing model.

### Expected volatility of the share price

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.

Many techniques can be applied in determining volatility, with a summary of the methods we use as follows:

- the square root of the mean of the squared deviations of closing prices from a sample. This can be calculated using a combination of the opening, high, low, and closing share prices each day the underlying security trades for all days in the sample time period chosen;

- the exponential weighted moving average model adopts the closing share price of the Company in a given time period. The model estimates a smoothing constant using the maximum likelihood method, which estimates volatility assuming that volatility is not a constant measure and is predicted to change in the future; and/or
- the generalised autoregressive conditional heteroscedasticity model. This model takes into account periods of time where volatility may be higher than normal and/or lower than normal, as well as the tendency for the volatility to run at its long run average level after such periods of abnormality. The model will calculate the rate at which this is likely to occur from the sample of prices thereby enabling estimates of future volatility by time to be made.

We have assessed the volatility of the share price of Estrella for one, two and three-year periods, using data extracted from Bloomberg. We note following the Proposed Transaction, Estrella's business operations would not have altered significantly. Therefore, we consider Estrella's historical share price volatility to provide a future estimated volatility for the Proposed Merged Entity over the life of the Consideration Options.

For the purpose of valuing the Consideration Options, we have used a future estimated volatility level of 110% for the Proposed Merged Entity in our option pricing model.

#### Risk-free rate of interest

We have used the Australian Government three-year bond rate of 2.13% as at the valuation date, as an input to the Black Scholes option pricing model.

#### Dividends expected on the shares

The Proposed Merged Entity is not expected to pay a dividend during the term of the Consideration Options.

#### Conclusion

We set out below our conclusions as to the value of the Consideration Options.

Valuation of Consideration Options	Low value \$	Midpoint value \$	High value \$
Value per Consideration Option	0.009	0.014	0.020
Number of Consideration Options	17,000,000	17,000,000	17,000,000
<b>Total value of Consideration Options</b>	<b>153,000</b>	<b>238,000</b>	<b>340,000</b>

Source: Bloomberg, BDO analysis

As set out above, the total value of the Consideration Options ranges from \$153,000 to \$340,000, with a midpoint value of \$238,000.

### 11.3 Cash Consideration

An upfront cash payment of \$176,000 was paid to Apollo on 6 November 2017.

A summary of the Cash Consideration is set out below.

	Low value \$	Midpoint value \$	High value \$
<b>Cash Consideration</b>	<b>176,000</b>	<b>176,000</b>	<b>176,000</b>

Source: HOA

## 11.4 Conclusion on the Consideration

The value of the Consideration on a total basis is summarised in the table below.

Total Consideration	Ref	Low value \$	Midpoint value \$	High value \$
Consideration Shares	11.1.4.	766,800	1,107,600	1,448,400
Consideration Options	11.2	153,000	238,000	340,000
Cash Consideration	11.3	176,000	176,000	176,000
<b>Total value of the Consideration</b>		<b>1,095,800</b>	<b>1,521,600</b>	<b>1,964,400</b>

Source: Bloomberg, BDO analysis

As depicted above, the total value of the Consideration is in the range of \$1.10 million and \$1.96 million, with a midpoint value of \$1.52 million.

## 12. Is the Proposed Transaction fair?

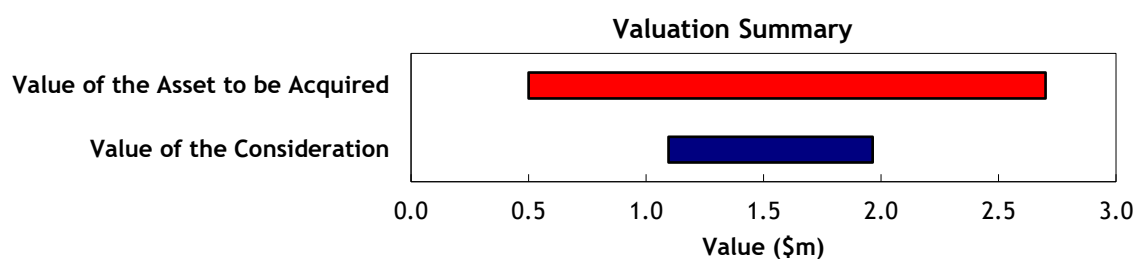
According to RG 111, a related party transaction is fair under ASX Listing Rule 10.1 if the value of the Consideration is equal to or less than the Asset to be Acquired. Further, a related party transaction is not fair if the value of the Consideration is greater than the Asset to be Acquired.

The value of the Asset to be Acquired and the Consideration is compared below:

	Ref	Low value \$	Preferred value \$	High value \$
Value of the Asset to be Acquired	10.1	500,100	1,500,100	2,700,100
Value of the Consideration	11.4	1,095,800	1,521,600	1,964,400

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

Based on the above table and graph, the value of the Asset to be Acquired is equal to or greater than the value of the Consideration for sufficient of the value range to allow us to conclude that the Proposed Transaction is fair.

## 13. Is the Proposed Transaction reasonable?

### 13.1 Advantages of approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

#### 13.1.1. The Proposed Transaction is fair

As discussed in Section 12, the Proposed Transaction is fair. Under RG 111, a Proposed Transaction is reasonable if it is fair.

#### 13.1.2. The Proposed Transaction will strengthen the Company's balance sheet

If the Proposed Transaction is approved, Estrella will strengthen its balance sheet through the acquisition of CBN and therefore the Carr Boyd Nickel Project. We note that as discussed in Section 6.1, CBN's core asset relates to the Carr Boyd Nickel Project which has been valued in the range of \$0.5 million to \$2.7 million with a preferred value of \$1.5 million by CSA.

In addition to the above, we note that CBN previously owed \$142,051 to Apollo. However, this loan was subsequently forgiven by Apollo. Further, all amounts loaned to CBN by Apollo will be repaid through a non-renounceable pro-rata rights issue at the CBN level, where Apollo shareholders will receive one new share in CBN for every one share currently held in Apollo. This is an advantage to Shareholders, as they will be assuming ownership of an additional company with a core asset, being the Carr Boyd Nickel Project, and no liabilities.

#### 13.1.3. The nature of the Consideration ensures that Estrella maintains the majority of its cash balance

As at 31 December 2017, Estrella had a cash balance of \$1.12 million. Given the Consideration is divided into Consideration Shares, Consideration Options and Cash Consideration, this means that Estrella will not be required to outlay a significant amount of cash on the acquisition of CBN. The Cash Consideration in relation to the Proposed Transaction amounts to \$176,000, which is not a significantly large amount compared to Estrella's current cash balance.

This is beneficial to Shareholders as it means that Estrella will retain the majority of its cash balance, and be able to use these funds for operating activities.

In addition, the 17 million Consideration Options each have an exercise price of \$0.050. Therefore, if they were to be exercised by Apollo, Estrella would receive a cash injection of \$850,000. Similar to the above, the nature of the consideration paid to Apollo in exchange for CBN provides Estrella with the opportunity to retain or supplement its existing cash balance.

#### 13.1.4. The Proposed Transaction will strengthen the Company's energy metals portfolio through the addition of a nickel project

Following the Proposed Transaction, the Company will own an additional nickel project, strengthening its energy metals portfolio.

As discussed in our nickel industry analysis in Section 8.1, the nickel price is forecast to increase to a long-term nominal average of approximately US\$17,396 per Mt. As at 12 February 2018, the nickel spot price

was approximately US\$13,060 per Mt. This represents an increase of approximately 33%. We note that although the recommencement of operations at the Carr Boyd Nickel Project is uncertain at this stage, a higher nickel price may lead the Company to focus its attention towards expediting exploration activities and subsequently commencing mining operations.

In addition to the above, the acquisition of another nickel project in WA means there exists a potential for synergistic benefits due to Estrella's experience in operating nickel assets in WA.

## **13.2 Disadvantages of approving the Proposed Transaction**

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed below.

### **13.2.1. Dilution of existing Shareholders' interests**

If Shareholders approve the Proposed Transaction, the Company will issue an additional 42.6 million fully paid ordinary shares in Estrella, and 17 million unlisted options. As set out in Section 4.1, the issue of the Consideration Shares will dilute Shareholders' interest in Estrella from 100.0% to approximately 91.0%. If all related party options are exercised, Shareholders' interests will be diluted further from approximately 91.0% to approximately 87.5%.

As a result of the above, approval of the Proposed Transaction will result in a dilution of the existing Shareholders' interest in Estrella.

## **13.3 Other considerations**

### **13.3.1. Completion issues**

Under the terms of the HOA, the Company has agreed to acquire all of the issued shares in CBN, subject to the satisfaction of a number of conditions precedent as set out in Section 4 and the attached Notice of Meeting.

We have no reason to believe that the conditions precedent will not be met, however the ability of the Company to acquire CBN and fulfil its stated objectives is subject to the performance of CBN and Apollo of their obligations under the HOA. If CBN or Apollo default in the performance of their obligations, it may delay the completion of any stage of the Proposed Transaction (if it completes at all) and it may be necessary for the Company to approach a Court to seek a legal remedy, which may present an uncertain and costly exercise.

## **14. Conclusion**

We have considered the terms of the Proposed Transaction as outlined in the body of this Report and have concluded that the Proposed Transaction is fair and reasonable to the Shareholders of Estrella.

## **15. Sources of information**

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this Report;
- Audited financial statements of Estrella for the years ended 30 June 2016 and 30 June 2017;
- Trial balance of CBN as at 31 December 2017;



- Supporting documentation of CBN's key assets and liabilities;
- Independent Valuation Report of Estrella and CBN's mineral assets performed by CSA dated 5 February 2018;
- Binding Heads of Agreement between Apollo, CBN and Estrella dated 15 October 2017;
- Amendments to the Heads of Agreement executed by all parties 28 February 2018;
- Estrella's Appendix 5B for the quarter ended 31 December 2017 and other ASX announcements;
- Confirmation of transfer of tenements from Apollo to CBN date executed 18 October 2017;
- Share registry information;
- S&P Capital IQ;
- Consensus Economics;
- Bloomberg;
- IBIS World;
- Reserve Bank of Australia;
- United States Geological Survey;
- World Gold Council;
- World Bank;
- Discussions with Directors and Management of Estrella and its corporate management group; and
- Discussions with accountants of CBN.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$20,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO 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.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Estrella in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Estrella, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Estrella, Apollo and CBN and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Estrella, Apollo and CBN, and their respective associates.

A draft of this Report was provided to Estrella and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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## 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian & New Zealand Institute of Chartered Accountants. Adam's career spans 19 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 18. Disclaimers and consents

This Report has been prepared at the request of Estrella for inclusion in the Notice of Meeting which will be sent to all Estrella Shareholders. Estrella engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report on the proposal to acquire 100% of the issued capital in CBN from Apollo through the issue of 42.6 million fully paid shares in Estrella, 17 million unlisted options and an upfront cash payment of \$176,000.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this Report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to CBN. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this Report. Such conditions can change significantly over short periods of time.

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 particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Estrella, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Estrella and CBN.

The valuer engaged for the mineral asset valuation, CSA, possesses the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this Report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**

A handwritten signature in black ink, appearing to read 'Sherif Andrawes'.

**Sherif Andrawes**

Director

A handwritten signature in blue ink, appearing to read 'Adam Myers'.

**Adam Myers**

Director

# Appendix 1 - Glossary of Terms

Reference	Definition
A\$ or AUD	Australian dollar
The Act	The Corporations Act 2001 Cth
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
Asset to be Acquired	CBN, which holds the Carr Boyd Nickel Project
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Cash Consideration	An upfront cash payment of \$176,000 which was paid to Apollo on 6 November 2017
The Company	Estrella Resources Limited
Consideration	The Consideration Shares, Consideration Options and Cash Consideration
Consideration Options	17 million unlisted Estrella options with an exercise price of \$0.050 and an expiry date three years from the date of issue
Consideration Shares	42.6 million fully paid ordinary shares in the capital of Estrella
Corporations Act	The Corporations Act 2001 Cth
CSA	CSA Global Pty Ltd
Data Labs	Data Laboratories Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Estrella	Estrella Resources Limited
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service

Reference	Definition
GDP	Gross domestic product
HOA	Heads of Agreement between Apollo, CBN and Estrella dated 15 October 2017 detailing the terms of the acquisition of 100% of the issued capital in CBN from Apollo through the issue of 42.6 million fully paid shares in Estrella, 17 million unlisted options and an upfront cash payment of \$176,000
Independent Technical Report	The Independent Technical Valuation Report prepared by CSA in relation to Estrella and CBN's mineral assets dated 5 February 2018
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
km	Kilometres
LME	London Metals Exchange
NAV	Net Asset Value
Proposed Merged Entity	Following the Proposed Transaction, CBN will have been acquired and become part of an expanded Estrella
Proposed Transaction	The proposal for Estrella to acquire 100% of the issued capital in CBN from Apollo through the issue of 42.6 million fully paid shares in Estrella, 17 million unlisted options and an upfront cash payment of \$176,000.
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO dated
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Estrella not associated with Apollo
SQM	Sociedad Quimica y Minera de Chile S.A.

Reference	Definition
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
USGS	United States Geological Survey
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WA	Western Australia
WACC	Weighted Average Cost of Capital
WA Nickel	WA Nickel Pty Ltd
WEMP	Estrella's Widgiemooltha Energy Metals Project

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## Appendix 2 - Valuation Methodologies

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Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

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

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

### 3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

#### **4 Discounted future cash flows ('DCF')**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### **5 Market Based Assessment**

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

## Appendix 3 - Independent Technical Report

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**CSA Global**  
Mining Industry Consultants

## Independent Technical Specialist's Report

### Valuation of the Widgiemooltha and Carr Boyd Projects

CSA Global Report Nº R418.2017  
5 February 2018

[www.csaglobal.com](http://www.csaglobal.com)

## Report prepared for

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Project Name/Job Code	ESRITV01
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# Executive Summary

CSA Global Pty Ltd (CSA Global) was commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) to prepare an independent Technical Specialist's Report and Valuation of Estrella Resources Limited's (Estrella) Widgiemooltha Energy Metals Projects, and Apollo Phoenix Resources Ltd's (Apollo) Carr Boyd Nickel Pty Ltd (Carr Boyd), holder of the Carr Boyd Nickel Project, both in Western Australia (WA).

This independent technical assessment and valuation report ("the Report") was prepared for BDO. The Report provides an opinion to support an Independent Expert's Report to be prepared by BDO, and has been prepared as a public document, in the format of an independent technical specialist's report and has been prepared in accordance with the VALMIN Code.

The Report provides a review of the Widgiemooltha Mineral Assets of Estrella and Carr Boyd's Nickel Project in WA and provides a technical valuation of these Mineral Assets. CSA Global has used a range of valuation methodologies to reach a conclusion on the value of the Widgiemooltha and Carr Boyd nickel projects. Note that the valuation is of the Widgiemooltha Mineral Assets and the Carr Boyd Nickel Project in WA and not of the value of Estrella or Apollo respectively as a company.

The statements and opinions contained in this Report are given in good faith and in the belief that they are not false or misleading. The conclusions are based on the reference date of 22 January 2018 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

CSA Global's valuations are based on information provided by Estrella and Apollo and public domain information. CSA Global has endeavoured, by making all reasonable enquiries within the timeframe available, to confirm the authenticity and completeness of the technical data upon which this Report is based. No audit of any financial data has been conducted. The valuations discussed in this Report have been prepared at a valuation date of 22 January 2018. It is stressed that the values are opinions as to likely values, not absolute values, which can only be tested by going to the market.

## Widgiemooltha Energy Metals Project

The Widgiemooltha Energy Metals Project (WEMP) comprises a package of tenements in WA for which Estrella holds the exploration rights for either lithium (lithium licences) or nickel (nickel licences), and one tenement where they hold exploration rights for lithium, nickel and gold (Munda licence).

The lithium licences are prospective for pegmatite-hosted lithium mineralisation, with rock chip sampling demonstrating the presence of lithium mineralisation in some of the identified pegmatites. CSA Global consider these licences as comprising an early stage lithium exploration project.

The nickel licences are prospective for sulphide-hosted nickel mineralisation, which has been encountered in drill intersections. CSA Global consider these licences as comprising an advanced exploration project.

The Munda licence (M15/87) contains a current nickel resource as well as a separate current gold resource. It is contiguous with the nickel licences. CSA Global considers this licence to represent a pre-development project.

## Carr Boyd Nickel Project

The Carr Boyd Nickel Project is located approximately 80 km northeast of Kalgoorlie-Boulder in WA in the Eastern Goldfields Province. It consists of five exploration licences and three mining leases, and is prospective for nickel sulphide mineralisation, which has been encountered in drill intercepts. Whilst there have been historic Mineral Resource estimates carried out on these tenements, there is no current Mineral Resource declared. CSA Global considers this project to be an advanced exploration project.

## Valuation

In CSA Global's professional judgement, both Estrella's WEMP and Apollo's Carr Boyd Nickel Project retain exploration potential, which forms a reasonable basis for the valuation of the projects (Table 1).

CSA Global's opinion on the Market Value of Estrella's WEMP, as at 22 January 2018, is that it lies within a range of **A\$1.5 million to A\$4.2 million with a preferred value of A\$2.9 million.**

CSA Global's opinion on the Market Value of Apollo's Carr Boyd Nickel Project, as at 22 January 2018, is that it lies within a range of **A\$0.5 million to A\$2.7 million with a preferred value of A\$1.5 million.**

Table 1: *Opinion on value of Estrella's interest in WEMP and Apollo's interest in Carr Boyd tenements as at 22 January 2018*

Project	Tenements	Area (km <sup>2</sup> )	Resource	Method	Low value (A\$M)	High value (A\$M)	Preferred value (A\$M)
WEMP lithium licences	E15/1505, E15/1507, E15/1562, M15/74, M15/75, M15/96, M15/97, M15/99, M15/100, M15/101, M15/102, M15/653, M15/698, M15/699, M15/1271	185.5	-	Area Transactions, Kilburn	0.5	1.8	1.2
WEMP nickel licences	E15/967, E15/968, M15/395, M15/703, M15/1828, P15/5860	27.1	-	Area Transactions, Kilburn	0.1	0.4	0.3
WEMP Munda licence	M15/87	3.6	46,330 oz Au 5,664 t Ni	Resource Transactions, Yardstick, Kilburn, Area Transactions	0.9	2.0	1.4
<b>WEMP Total</b>					<b>1.5</b>	<b>4.2</b>	<b>2.9</b>
Carr Boyd licences	E29/982, E29/1012, E31/726, E31/1124, E31/1162, M31/12, M31/109, M31/159	235.2	-	Area Transactions, Kilburn	0.5	2.7	1.5

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# 1 Introduction

## 1.1 Context, Scope and Terms of Reference

Estrella Resources Limited (Estrella or “the Company”) is a Perth-based exploration company that is listed on the Australian Securities Exchange (ASX). Estrella’s key assets are the Widgiemooltha Energy Metals Project (WEMP) in Western Australia (WA).

On 16 October 2017, Estrella announced an agreement with Western Australian private company, Apollo Phoenix Resources Pty Ltd (Apollo), for Estrella to acquire Apollo’s wholly-owned subsidiary Carr Boyd Nickel Pty Ltd (Carr Boyd) in a cash and scrip transaction through the issue of 42.6 million fully paid shares in Estrella, 17 million unlisted options and a deposit of A\$160,000 in cash.

Estrella engaged BDO Corporate Finance (WA) Pty Ltd (BDO) to prepare an Independent Expert’s Report (“BDO Report”) for inclusion within a Notice of Meeting to non-associated shareholders to assist in their decision of whether or not to approve the acquisition by Estrella.

CSA Global Pty Ltd (CSA Global) was in turn commissioned by BDO to prepare an independent opinion on the Market Valuation of Estrella’s WEMP and Carr Boyd’s Carr Boyd Nickel Project in WA (“CSA Global Report” or “the Report”) in accordance with the requirements of the VALMIN Code<sup>1</sup> 2015. BDO will rely on, and the BDO Report will refer to, the CSA Global valuation opinion, and a copy of the CSA Global Report will be appended to the BDO Report.

The BDO Report will provide an opinion to Estrella’s shareholders, and as such it will be a public document. CSA Global will provide its consent to the use of the Report in the form and context in which it will be published.

The Report is a Technical Assessment and Valuation subject to the VALMIN Code. The Report contains a high level technical appraisal of the WEMP and the Carr Boyd Nickel Project in WA, including geological and mining aspects. A valuation of the assets has also been completed. CSA Global has used a range of valuation methodologies to reach a conclusion on the value of the assets.

## 1.2 Compliance with the VALMIN and JORC Codes

The Report has been prepared in accordance with the VALMIN Code, which is binding upon Members of the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy (AusIMM), the JORC Code<sup>2</sup> and the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission (ASIC) and ASX that pertain to Independent Experts’ Reports (IERs).

The authors have taken due note of the rules and guidelines issued by such bodies as ASIC and ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports, and ASIC Regulatory Guide 112 – Independence of Experts.

## 1.3 Principal Sources of Information

The Report has been based upon information available up to and including 22 January 2018. The information was provided to CSA Global by Estrella and Apollo or has been sourced from the public domain and includes both published and unpublished technical reports prepared by consultants, and other data relevant to Estrella’s or Apollo’s projects.

<sup>1</sup> *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code) 2015 Edition*. Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. 1

<sup>2</sup> *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code) 2012 Edition*. Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).



The authors have endeavoured, by making all reasonable enquiries within the timeframe available, to confirm the authenticity and completeness of the technical data upon which this Report is based.

No site visit was made to the Projects as the authors felt that they have sufficient knowledge of this region; the projects are at an early stage without any project infrastructure, and there is very limited relevant outcrop of interest to inspect. CSA Global has had access to and discussions with key Estrella personnel, and CSA Global is satisfied that there is sufficient current information available to allow an informed evaluation.

Tenement information was provided by Estrella and Apollo and supplemented with details from the Western Australian Department of Mines and Petroleum (DMP) Mineral Titles Online tenements database; full details are contained in Sections 2.2 and 3.3. CSA Global's check of the licences using the DMP's Mineral Titles Online accessed on 9 February 2018, showed that all licences are in good standing, with all tenement rents paid in full, with no outstanding matters identified. CSA Global considers based on this check that the ownership interests are correct and that the tenement information provided by Estrella and Apollo is accurate for CSA Global to value the tenements. CSA Global is not qualified to express opinion on the legal status of tenements. CSA Global relies on Apollo's representation that it will hold adequate security of tenure for exploration and assessment of the projects by Estrella to proceed with regards to Apollo's Carr Boyd licences.

#### **1.4 Authors of the Report – Qualifications, Experience and Competence**

The Report has been prepared by CSA Global, a privately-owned consulting company that has been operating for over 30 years; with its headquarters in Perth, WA.

CSA Global provides multi-disciplinary services to a broad spectrum of clients across the global mining industry. Services are provided across all stages of the mining cycle from project generation, to exploration, resource estimation, project evaluation, development studies, operations assistance, and corporate advice, such as valuations and independent technical documentation.

The information in this report that relates to Technical Assessment of Mineral Assets reflects information compiled and conclusions derived by Mr Tony Donaghy, a Competent Person who is a Registered Professional Geoscientist with the Association of Professional Geoscientists of Ontario, an RPO. Mr Donaghy is employed by CSA Global. He has sufficient experience relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Practitioner as defined in the 2015 edition of the "Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets". Mr Donaghy consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The valuation of Mineral Resources and Exploration Properties was completed by CSA Global Principal Consultant, Mr Trivindren Naidoo, MSc (Exploration Geology), Grad.Cert (Mineral Economics), FGSSA, MAusIMM, and Pr.Sci.Nat. (Geology). Mr Naidoo is a consulting geologist with over 17 years' experience in the minerals industry, including 12 years as a consultant. He has an extensive background in mineral exploration, and specialises in due diligence reviews, project evaluations and valuations, as well as code-compliant reporting. Mr Naidoo's knowledge is broad-based, and he has wide-ranging experience in the field of mineral exploration and resource development, having managed or consulted on various projects ranging from first-pass grassroots exploration to brownfields exploration and evaluation. Mr Naidoo has the relevant qualifications, experience, competence, and independence to be considered a "Specialist" under the definitions provided in the VALMIN Code and a "Competent Person" as defined in the JORC Code.

The reviewers of the Report include CSA Global Principal Geologist, Sam Ulrich; and CSA Global Manager – Corporate, Mr Graham Jeffress, BSc (Hons) Applied Geology, FAIG, RPGeo (Mineral Exploration), FAusIMM, FSEG.

Peer review of the report and valuation was completed by CSA Global Principal Consultant, Mr Sam Ulrich, BSc(Hons) GDipAppFin, MAusIMM, MAIG, and FFin. Mr Ulrich is a consulting geologist with over 20 years' experience in the minerals industry, including six years as a consultant. He has an extensive background in mineral exploration, and specialises in due diligence reviews, project evaluations and valuations, as well as code-compliant reporting. Mr Ulrich's knowledge is broad-based, and he has wide-ranging experience in the field of mineral exploration and resource development, having managed or consulted on various projects ranging from first-pass grassroots exploration to brownfields exploration and evaluation. Mr Ulrich has the relevant qualifications, experience, competence, and independence to be considered a "Specialist" under the definitions provided in the VALMIN Code and a "Competent Person" as defined in the JORC Code.

Graham Jeffress is a geologist with over 25 years' experience in exploration geology and management in Australia, PNG, and Indonesia. He is Principal Geologist with CSA Global in Perth and manages the Exploration and Evaluation Division. Mr Jeffress has worked in exploration (ranging from grassroots reconnaissance through to brownfields, near-mine and resource definition), project evaluation and mining in a variety of geological terrains, commodities and mineralisation styles within Australia and internationally. He is competent in multidisciplinary exploration, and proficient at undertaking prospect evaluation and all phases of exploration – sampling, mapping, prospecting and drilling through to resource definition; as well as project management including planning, budgeting, logistics, safety, people management, landowner liaison and project presentation. Additionally, Mr Jeffress has completed numerous Independent Geologist Reports, Competent Person Reports, and Independent Valuation Reports. He was a Federal Councillor of the AIG for 11 years and joined the Joint Ore Reserves Committee in 2014. Graham has the relevant qualifications, experience, competence and independence to be considered a "Competent Person" as defined in the JORC Code.

### 1.5 Prior Association and Independence

The authors of this report have no prior association with Estrella or Apollo in regard to the Mineral Assets. Neither CSA Global, nor the authors of this report, have or have had previously, any material interest in Estrella, Apollo or the mineral properties in which Estrella or Apollo have an interest. CSA Global's relationship with Estrella and Apollo is solely one of professional association between client and independent consultant.

CSA Global is an independent geological consultancy. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report. The fee for the preparation of this report is approximately A\$29,440.

No member or employee of CSA Global is, or is intended to be, a director, officer or other direct employee of Estrella or Apollo. No member or employee of CSA Global has, or has had, any shareholding in Estrella or Apollo. There is no formal agreement between CSA Global and Estrella or Apollo to CSA Global conducting further work for Estrella or Apollo.

### 1.6 Declarations

The statements and opinions contained in this Report are given in good faith and in the belief that they are not false or misleading. This Report has been compiled based on information available up to and including the date of this Report. The statements and opinions are based on the reference date of 22 January 2018 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

The opinions expressed in this Report have been based on the information supplied to CSA Global by Estrella and Apollo. The opinions in this Report are provided in response to a specific request from Estrella to do so. CSA Global has exercised all due care in reviewing the supplied information. Whilst CSA Global has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. CSA Global does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features, as they existed at the time of CSA Global's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which CSA Global had no prior knowledge nor had the opportunity to evaluate

CSA Global's valuations are based on information provided by Estrella and Apollo and public domain information. This information has been supplemented by making all reasonable enquiries within the timeframe available, to confirm the authenticity and completeness of the technical data.

No audit of any financial data has been conducted. The valuations discussed in this Report have been prepared at a valuation date of 22 January 2018. It is stressed that the values are opinions as to likely values, not absolute values, which can only be tested by going to the market.

## 2 Carr Boyd Nickel Project

### 2.1 Location and Access

The Carr Boyd Nickel Project is located approximately 80 km northeast of Kalgoorlie-Boulder in WA in the Eastern Goldfields Province (Figure 1). The project is accessed via the sealed Goldfields Highway for 66 km north of Kalgoorlie-Boulder and then by gravel road for 48 km northeast past the abandoned Scotia nickel mine. Station tracks and historic grid access service the tenement area.

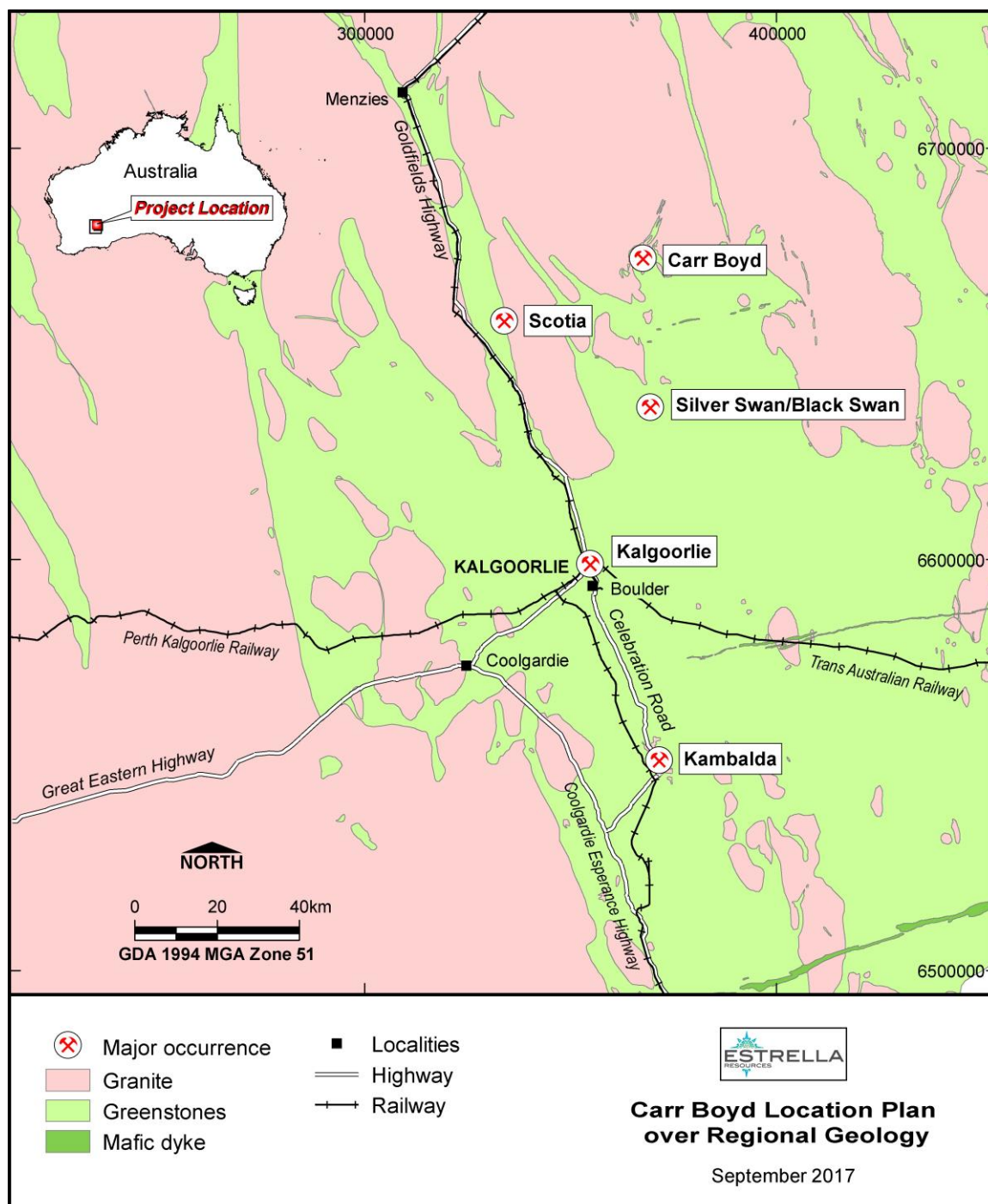


Figure 1: Location of Apollo's Carr Boyd Nickel Project in WA

## 2.2 Mineral Tenure

CSA Global relies on the representations made by Estrella for the identification of the Apollo Carr Boyd Project licences subject to the purchase agreement. This was independently verified by an online search of the DMP Mineral Titles Online accessed on 9 February 2018. CSA Global's check of the Carr Boyd licences shows that all licences are in good standing with all tenement rents paid in full and no outstanding matters identified. CSA Global considers based on this check that the ownership interests are correct and that the tenement information provided by Estrella and Apollo is accurate for CSA Global to value the tenements. CSA Global makes no further representation on the legal status of the tenements and is not qualified to do so.

Details of the licences are provided in Table 2 and shown in Figure 2. Carr Boyd Nickel Pty Ltd is a wholly owned subsidiary company of Apollo.

Table 2: Carr Boyd Nickel Project tenement details

Tenement ID	Type	Tenement holder	Area (ha)	Grant date	Expiry date	Mineral rights	Interest
E29/982	Exploration Licence	Carr Boyd Nickel Pty Ltd	890.2	01/02/2017	01/02/2022	All	100%
E29/1012	Exploration Licence	Carr Boyd Nickel Pty Ltd	1,780.3	20/09/2017	20/09/2022	All	100%
E31/726	Exploration Licence	Carr Boyd Nickel Pty Ltd	4,975.3	03/04/2008	03/04/2018	All	100%
E31/1124	Exploration Licence	Carr Boyd Nickel Pty Ltd	6,228.9	05/01/2017	05/01/2022	All	100%
E31/1162	Exploration Licence	Apollo Phoenix Resources Pty Ltd	9,199.0	Application		All	100%
M31/12	Mining Lease	Carr Boyd Nickel Pty Ltd	266.5	20/11/1984	29/11/2026	All	100%
M31/109	Mining Lease	Carr Boyd Nickel Pty Ltd	98.1	25/07/1991	01/08/2033	All	100%
M31/159	Mining Lease	Carr Boyd Nickel Pty Ltd	79.8	21/01/1997	22/01/2018	All	100%
<b>Total</b>			<b>22,627.9</b>				

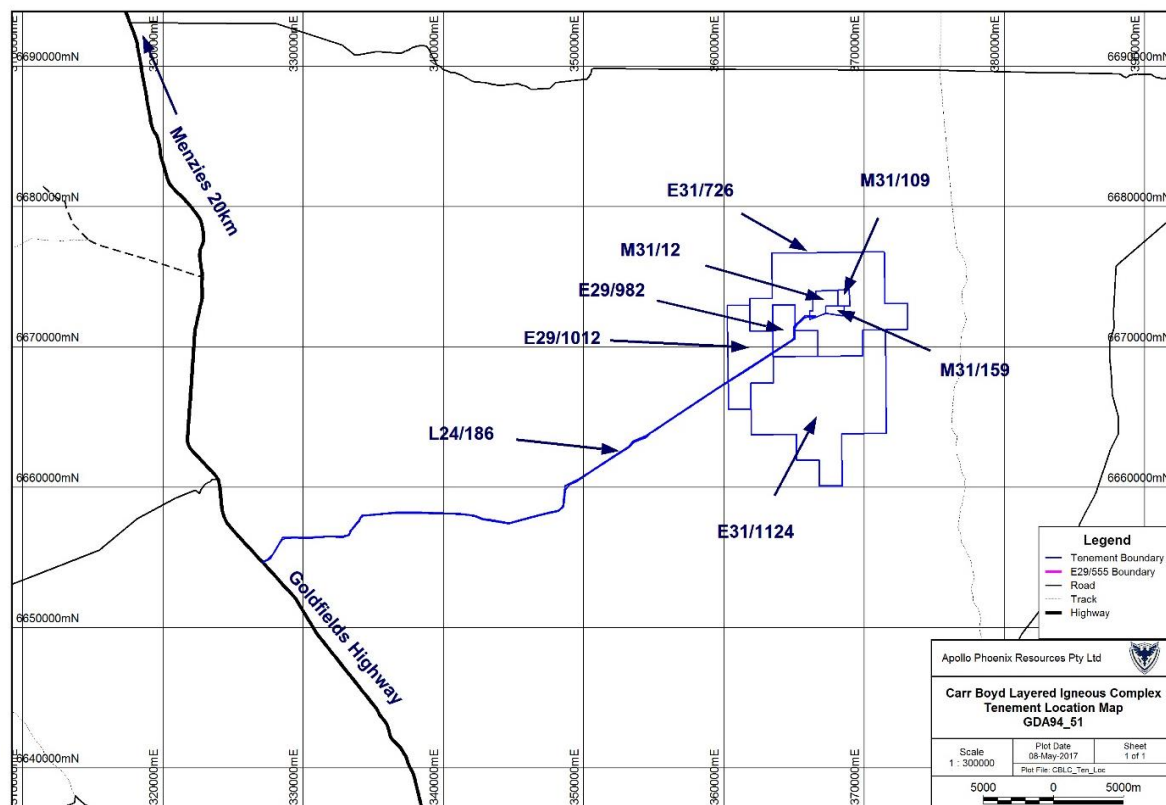


Figure 2: Carr Boyd Nickel Project granted tenements

## 2.3 Geology

### 2.3.1 Regional Geology

The Carr Boyd Nickel Project lies within the Archean Yilgarn Craton, in a 700 km belt of elongate deformed and folded mafic, ultramafic rocks and volcanic sediments intruded by granitoids which is referred to as the Norseman-Wiluna Belt. The belt has been divided into several distinct geological terranes. The Carr Boyd Rocks igneous complex lies at the northern end of the greenstone sequence of the Gindalbie Terrane (Swager, 1996). The Gindalbie Terrane is a tectonostratigraphic unit bounded to the west by the Mount Monger Fault and by the Emu and Randall Faults to the east (Figure 3). The terrane contains three greenstone successions separated by low angle faults (Swager, 1996). The northern part of the terrane is dominated by a bimodal mafic-calc-alkaline volcanic sequence and the southern part by komatiitic basalt and calc-alkaline volcanics. Early thrusting has resulted in stacking of the supracrustal rocks.

The geology of the Carr Boyd area is dominated by the Carr Boyd layered mafic-ultramafic intrusive complex (CBC). The assumed Archaean-aged mafic-ultramafic layered intrusive covers an area of 17 km x 7 km and has intruded into an Archaean Greenstone/Granite succession. The CBC is comprised of a basal sequence of dunites, which are overlain by peridotites/pyroxenites and above that by gabbros. The intrusion has been interpreted to have been tilted to the east with the geometry of the intrusive further complicated by regional deformation and folding. The sequence has been metamorphosed to greenschist facies (Swager, 1996).



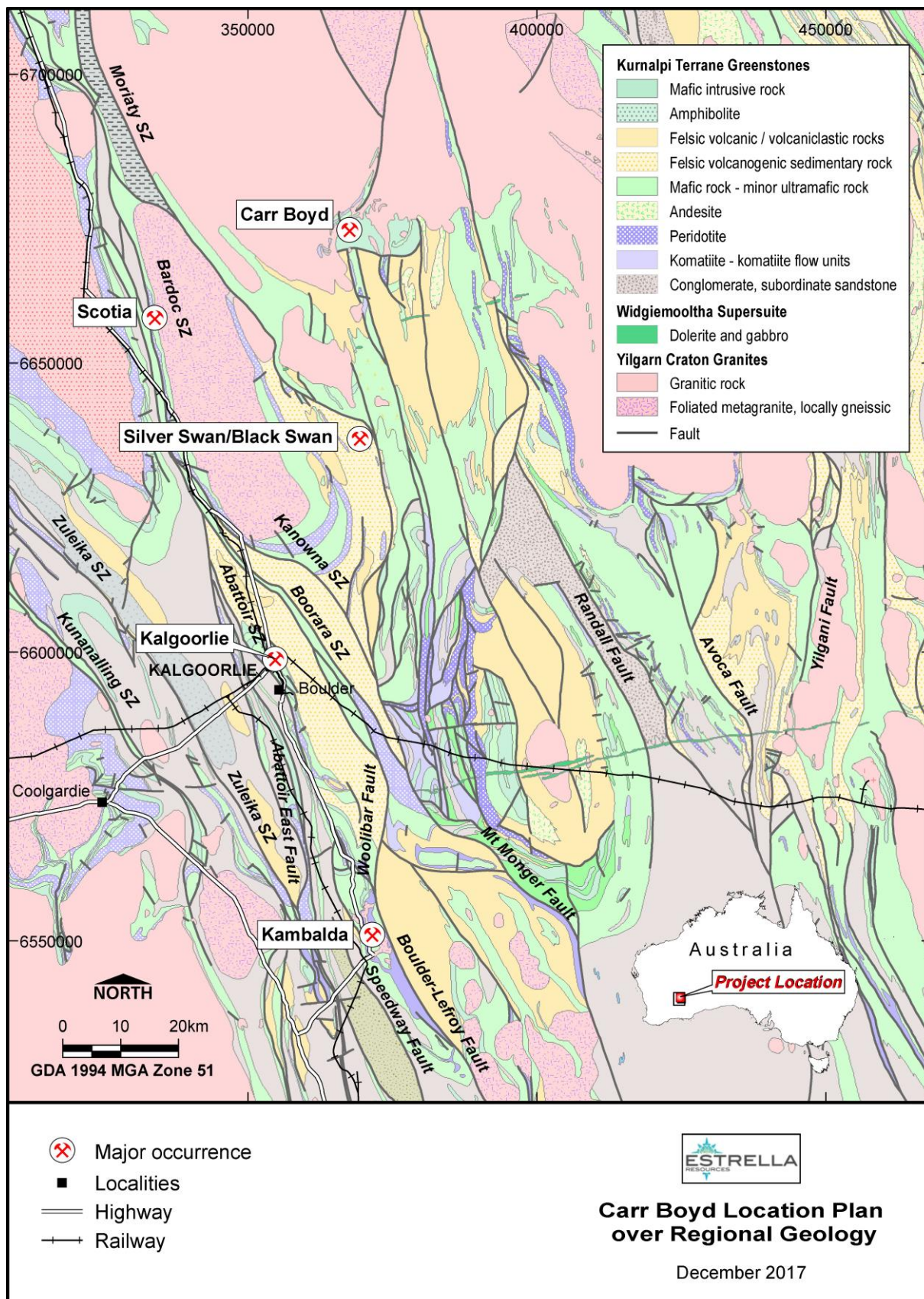


Figure 3: Regional geology of the Carr Boyd Nickel Project

### 2.3.2 Local Geology and Mineralisation

The main intrusive complex at Carr Boyd has been subdivided into three zones based on mineralogy. These zones are: the south and western areas, where ultramafic rocks predominate; a central zone where pyroxenites and gabbros predominate; and the northern and eastern areas where the rocks are mainly anorthosites and gabbros. The Carr Boyd Nickel Project is focused on the Western Lobe (Figure 4). The intrusion has undergone metamorphism with serpentine, tremolite, anthophyllite, talc and chlorite partially replacing igneous minerals.

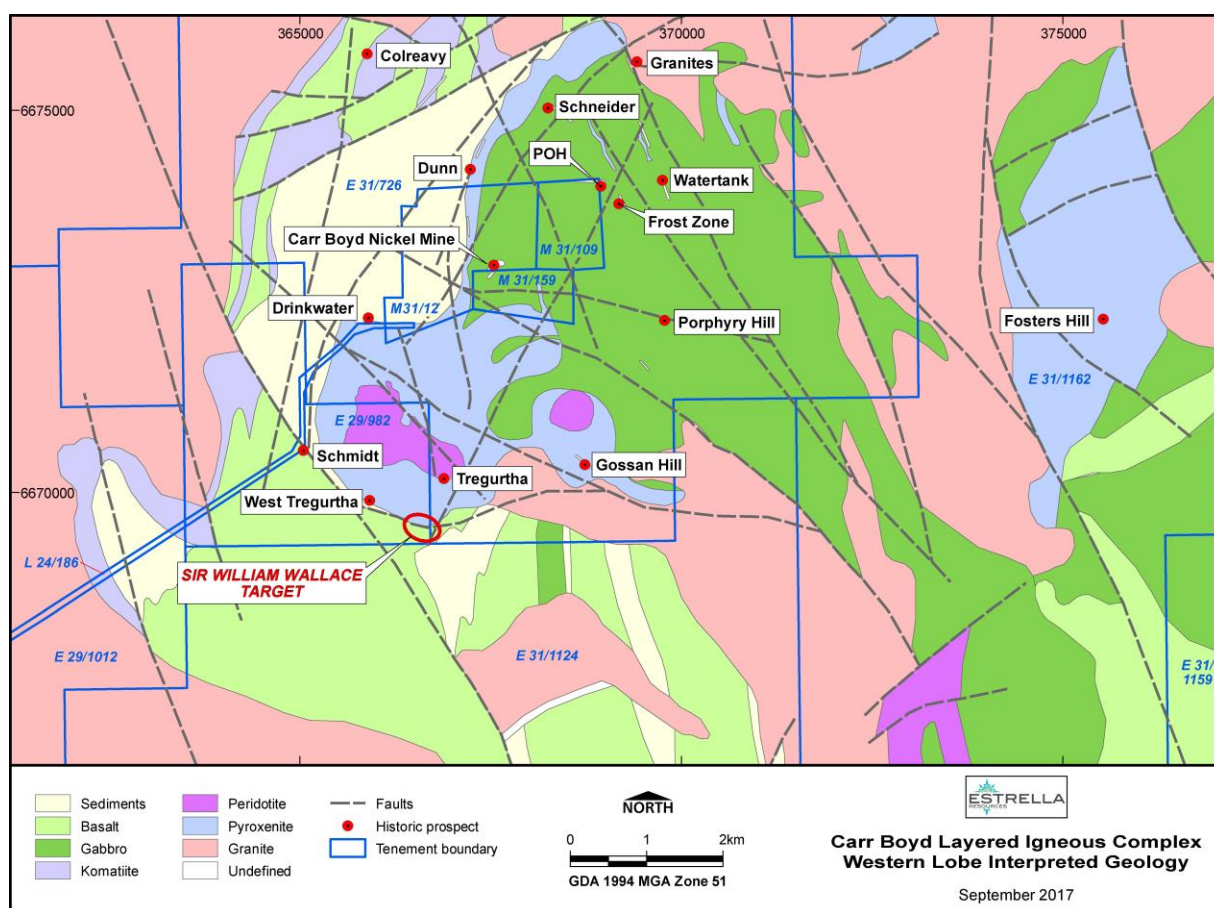


Figure 4: Local geology of the Carr Boyd Nickel Project

The historically mined nickel-copper sulphide mineralisation at Carr Boyd is associated with steeply inclined pipe-like bodies and vein stockworks that crosscut the magmatic layering of the CBC (Figure 5). The igneous geology of the pipes consists of medium to very coarse grained bronzitite which has been altered to rocks containing anthophyllite, tremolite actinolite, talc, chlorite and plagioclase with some relict igneous pyroxene. Four mineralised shoots within two breccia pipes are known at Carr Boyd. Shoot 1 lies within Pipe One and outcrops on the eastern edge of the project area. Shoots 2, 3 and 4 occur within Pipe Two which is located to the west of Pipe One. The mineralisation occurs in brecciated ore zones of semi-massive to massive sulphide within two broader zones of disseminated sulphide mineralisation. The pipes contain a central zone of brecciated and stringer sulphides surrounded by strongly disseminated sulphides averaging just over 1% nickel. The mineralised breccia zones vary in shape from tabular to round but are typically ellipsoid, 20–50 m long and 5–20 m wide and plunge steeply to the west at 70–80°.

The bronzitite pegmatoids that host the nickel mineralisation are 20–60 m across and extend down to 300 m depth and consist of massive to disseminated sulphides, aggregates of bronzite and other silicate and oxide phases, and xenoliths of unmineralised troctolite-anorthosite. Nickel mineralisation is confined



to coarse grained, bronzite pyroxene rich rocks with sulphide minerals (mainly pyrrhotite, pentlandite and chalcopyrite) forming a matrix around xenoliths of unmineralised country rocks. The unmineralised xenoliths make up some 30% of the rock mass of the pipes and vary in size from 5–10 cm to 5–10 m in diameter. Pyrrhotite is the dominant sulphide phase with pentlandite, chalcopyrite and pyrite in decreasing quantities.

## 2.4 Carr Boyd Exploration and Mining History

The Carr Boyd Rocks nickel-copper deposit was discovered in 1968 by a joint venture (JV) between Great Boulder Mines and North Kalgurli Mines following a regional mapping and soil sampling program. A program of diamond drilling was completed to delineate the deposit, which identified three main zones of mineralisation within two nickel-copper mineralised breccia pipes. The deposit was mined as an underground operation between 1973 and 1975. Great Boulder Mines was acquired by Western Mining Corporation in 1977 and mining was briefly recommenced. However, the mine was closed in 1977 due to prevailing low nickel prices. Total recorded production at Carr Boyd Rocks is 210,000 t at 1.44% Ni and 0.46% Cu (*Source: WAMEX Report A30813; Western Mining Corporation 1990*).

Defiance Mining NL completed several exploration programs throughout the CBC from 1986 to 1998. Work was initially focused on the PGE potential of the complex with a JV with Aust Plat from 1987 to 1988, with later work focusing on the nickel-copper potential. Work completed included various mapping, soil geochemistry, electromagnetics (EM), induced polarisation (IP), magnetic, rotary air blast (RAB), reverse circulation (RC) and diamond drilling programs. A mine feasibility study at Carr Boyd was completed in 1991 based on a 150,000 t/a six-year mine life operation, but study results do not appear to have been favourable enough to recommence mining operations. Diamond drilling below the Carr Boyd deposit identified a fourth major zone of nickel-copper mineralisation within the Carr Boyd breccia pipe system (*Source: WAMEX Report A54821; Defiance Mining NL 1998*).

From 2001 to 2004, Australian Nickel Mines (Titan Resources) completed airborne magnetics, downhole EM, reprocessing of earlier GEOTEM surveys, and several RAB, RC and diamond drilling programs. From 2005 to 2009, exploration was managed by Brockman Resources (in JV with Australian Nickel Mines – a wholly owned subsidiary of Consolidated Minerals). Extensive work was completed around the main Carr Boyd nickel-copper deposit. RC drilling was completed around the old workings and a deep diamond drilling program was completed including a 1,461 m diamond hole beneath the historical workings to test for deep extensions to the nickel-copper pipe mineralisation, as well as test for potential deep basal nickel sulphides. Various environmental, geotechnical, mine design and metallurgical programs were carried out in anticipation of restarting the mine as an open pit and underground operation. A small, non-JORC compliant resource estimate was completed for Carr Boyd in 2007. Due to the collapse of the nickel price in 2008, plans for mining were put on hold. Work from 2008-2009 was focused on target satellite areas and exploring the wider Carr Boyd project area. The JV expired in June 2009 and Brockman relinquished their interest in the project as agreed JV terms were not met. Management of the project reverted to Australian Nickel Mines NL (ANM) (*Source: WAMEX Report A90277; Australian Nickel Mines NL 2011*).

From 2010 to 2013, exploration was undertaken by ANM. Work comprised:

- A gravity survey covering the Main Carr Boyd nickel-copper deposit and the south-western part of the CBC to aid in exploration target definition.
- Two time domain dipole-dipole IP surveys (*Source: Carr Boyd Project Annual Report C434/1995; Apollo Phoenix Resources Ltd 2017*). From 2014, Salt Lake Minerals Ltd (SLM) reviewed all previous work and produced a first stage exploration program. In 2015, SLM conducted a small HPMLTEM survey, but failed to detect any conductors. SLM also completed RAB drilling in 2014, targeting the higher levels of the CBC for gold and precious metals (*Source: Carr Boyd Project Annual Report C434/1995; Apollo Phoenix Resources Ltd 2017*).

In February 2016, Apollo purchased the project and conducted a HPMLTEM survey at the Sir William Wallace target that defined a conductivity anomaly near surface. Although the conductivity feature was resolved to be caused by sedimentary sulphides in black shales, follow-up drilling in two shallow diamond drillholes (NCB0001 and NCB0002; Estrella ASX release dated 27 November 2017) intersected disseminated to blebby sulphides in mafic intrusive rocks on the interpreted contact with footwall basalts. Exploration activity is still underway at this locality at the time of writing.

## 2.5 Exploration Potential

Exploration of the CBC has not been exhaustive, nor is the geology of the complex well understood. In particular, there has been little deep drilling away from the old mine area, and the basal contact of the intrusive complex is neither well defined nor well tested.

Massive sulphides in intrusions show a general association with the lower parts of the stratigraphy along or near the basal contact or in feeder conduits. The geometry of the basal contact is important for concentrating nickel sulphide accumulations in economic proportions. Keels and fault-controlled structural embayments on the basal contact of the intrusion are considered important. Other environments within intrusive complexes may also be favourable for sulphide mineralisation, depending on the history of intrusion and when the sulphide is formed relative to magma pulses that feed into the complex.

The Carr Boyd nickel mineralisation known to date is contained in steeply plunging breccia pipes that crosscut the magmatic layering of the intrusion. A significant amount of exploration has been focused on this style of mineralisation. However, the limited tonnage and grade potential of this style of mineralisation has long been recognised. The intrusive conceptual model proposed by companies for the formation of the Carr Boyd Rocks ore shoots presupposes the existence of a theoretical large tonnage parent pool of sulphide from which the mineralised pipes were injected. The most recent exploration focus by companies has targeted potential for such massive nickel sulphide accumulations at the base of the intrusion (Figure 5). The existence of the known sulphide mineralisation should be seen as proof of concept that the magma is fertile and has undergone favourable geological processes to form magmatic nickel-copper-cobalt sulphides of suitable tenor to potentially form ore deposits. Thus, the project is viewed as being advanced exploration, testing a new geological concept that has not previously been adequately tested.

The most recent work by companies is significant because it proposed that the intrusion, unlike many intrusions that lie too deep to be of economic interest, has experienced deep erosion, strong tilting, and that sulphide traces exist on the key contact. These factors suggest that, if present, any significant mineralisation could be near surface, within potentially economically mineable depths.

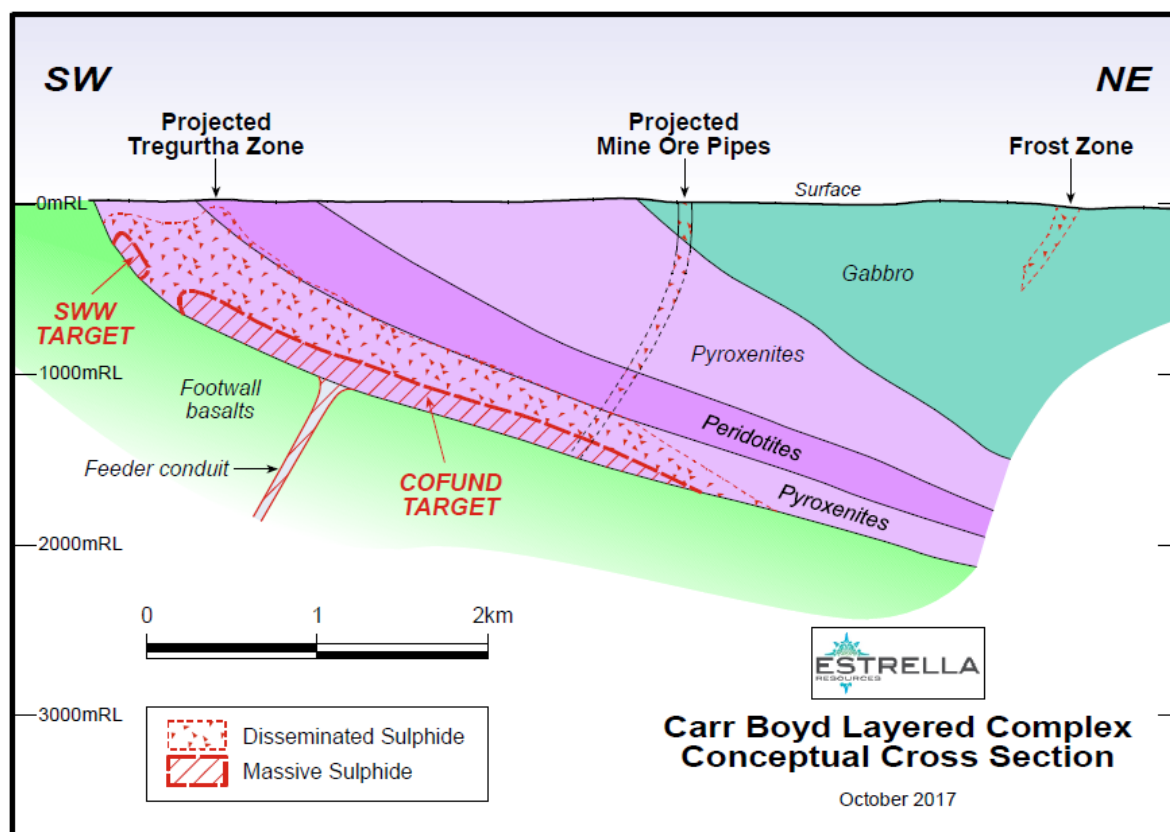


Figure 5: Conceptual cross section of theoretical target environments, Carr Boyd Nickel Project

## 2.6 Mineral Resources

There are no current Mineral Resources on the property. A non-JORC compliant Mineral Resource estimate was completed for Carr Boyd in 2007. No further exploration activity has taken place near this mineralised system, and focus has shifted away to explore other environments within the CBC with potential to host significantly larger resources.

CSA Global has taken the view that this is a proof of concept of the fertility of the CBC nickel-copper system, and hence considers the project to represent an advanced exploration project. It does not represent a resource for purpose of valuation as it is yet to be demonstrated whether it has "...such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction." Further work is required to ascertain whether this mineralisation would meet the definition of a resource in compliance with JORC 2012; and using reasonable updated long-term forecasts for commodity markets.

## 3 Widgiemooltha Energy Metals Project

### 3.1 Introduction

The WEMP comprises a package of tenements in WA for which Estrella holds the exploration rights for either lithium or nickel, and one tenement where it holds exploration rights for lithium, nickel and gold (Table 3).

Table 3: WEMP tenement details

Tenement ID	Type	Tenement holder	Area (ha)	Grant date	Expiry date	Mineral rights	Interest (%)
M15/87	Mining Lease	Apollo Phoenix Resources Pty Ltd	364.1	26/07/1984	06/08/2026	Au-Li-Ni	100
E15/1505	Exploration Licence	Apollo Phoenix Resources Pty Ltd	393.3	05/10/2016	05/10/2021	Li	75
E15/1507	Exploration Licence	Apollo Phoenix Resources Pty Ltd	4,384.9	Application		Li	75
E15/1562	Exploration Licence	Apollo Phoenix Resources Pty Ltd	4,674.2	Application		Li	75
M15/74	Mining Lease	Apollo Phoenix Resources Pty Ltd	927.3	11/10/1984	22/10/2026	Li	75
M15/75	Mining Lease	Apollo Phoenix Resources Pty Ltd	568.6	11/10/1984	22/10/2026	Li	75
M15/96	Mining Lease	Apollo Phoenix Resources Pty Ltd	843.1	23/07/1984	26/07/2026	Li	75
M15/97	Mining Lease	Apollo Phoenix Resources Pty Ltd	675.9	23/07/1984	26/07/2026	Li	75
M15/99	Mining Lease	Apollo Phoenix Resources Pty Ltd	984.1	23/07/1984	26/07/2026	Li	75
M15/100	Mining Lease	Apollo Phoenix Resources Pty Ltd	957.8	23/07/1984	26/07/2026	Li	75
M15/101	Mining Lease	Apollo Phoenix Resources Pty Ltd	964.3	23/07/1984	26/07/2026	Li	75
M15/102	Mining Lease	Apollo Phoenix Resources Pty Ltd	931.9	01/04/1985	11/04/2027	Li	75
M15/653	Mining Lease	Apollo Phoenix Resources Pty Ltd	999.1	28/01/1993	29/01/2035	Li	75
M15/698	Mining Lease	Apollo Phoenix Resources Pty Ltd	421.8	22/12/1994	28/12/2036	Li	75
M15/699	Mining Lease	Apollo Phoenix Resources Pty Ltd	340.5	23/12/1994	29/12/2036	Li	75
M15/1271	Mining Lease	Apollo Phoenix Resources Pty Ltd	485.7	07/02/2007	07/02/2028	Li	75
E15/967	Exploration Licence	Tychean Resources Ltd	736.7	19/05/2008	19/05/2018	Ni	100
E15/968	Exploration Licence	Tychean Resources Ltd	433.6	19/05/2008	19/05/2018	Ni	100
M15/395	Mining Lease	Tychean Resources Ltd	249.4	18/07/1988	27/07/2030	Ni	100
M15/703	Mining Lease	Tychean Resources Ltd	93.3	16/09/1994	16/09/2036	Ni	100
M15/1828	Mining Lease	Corona Minerals Ltd/ Minex (Aust) Pty Ltd	1,002.9	15/12/2016	15/12/2037	Ni	100
P15/5860	Prospecting Licence	Tychean Resources Ltd	196.2	08/04/2014	08/04/2018	Ni	100
<b>Total</b>			<b>21,628.7</b>				

### 3.2 Location and Access

The WEMP is situated between 60 km and 116 km south of Kalgoorlie-Boulder and 18 km southwest to 65 km south of Kambalda in WA. Kalgoorlie-Boulder is the nearest regional centre and has a population of more than 30,000 people. It also hosts an airport, a regional hospital and is a major engineering service centre to the mining industry. The WEMP is accessed via the Coolgardie-Esperance Highway and is close to the mainline railways.

### 3.3 Mineral Tenure

Estrella announced that it was acquiring Mt Edwards Lithium Pty Ltd, which held 75% of the lithium rights to a group of tenements held by Apollo (which holds the remaining 25% of the lithium rights) (ASX announcement dated 7 November 2016).

Estrella announced that it was acquiring WA Nickel Pty Ltd, which held 25% of the lithium rights to tenement M15/87 held by Apollo, as well as the gold and nickel rights to M15/87, and 100% nickel rights to a group of tenements held by Tychean Resources Ltd, as well as 100% of the nickel rights to M15/1828 held by Corolla Minerals Ltd and Minex (Aust) Pty Ltd (ASX announcement dated 4 September 2017).

CSA Global relies on the representations made by Estrella for the identification of the Apollo Widgiemooltha Project licences subject to the purchase agreement. This was independently verified by an online search of the DMP Mineral Titles Online accessed on 9 February 2018. CSA Global's check of the Widgiemooltha licences shows that all licences are in good standing, with all tenement rents paid in full and no outstanding matters identified. CSA Global considers, based on this check, that the ownership interests are correct and that the tenement information provided by Estrella and Apollo is accurate for CSA Global to value the tenements. CSA Global makes no further representation on the legal status of the tenements and is not qualified to do so. Details of the licences are provided in Table 3 (above) and shown in Figure 6 (below).



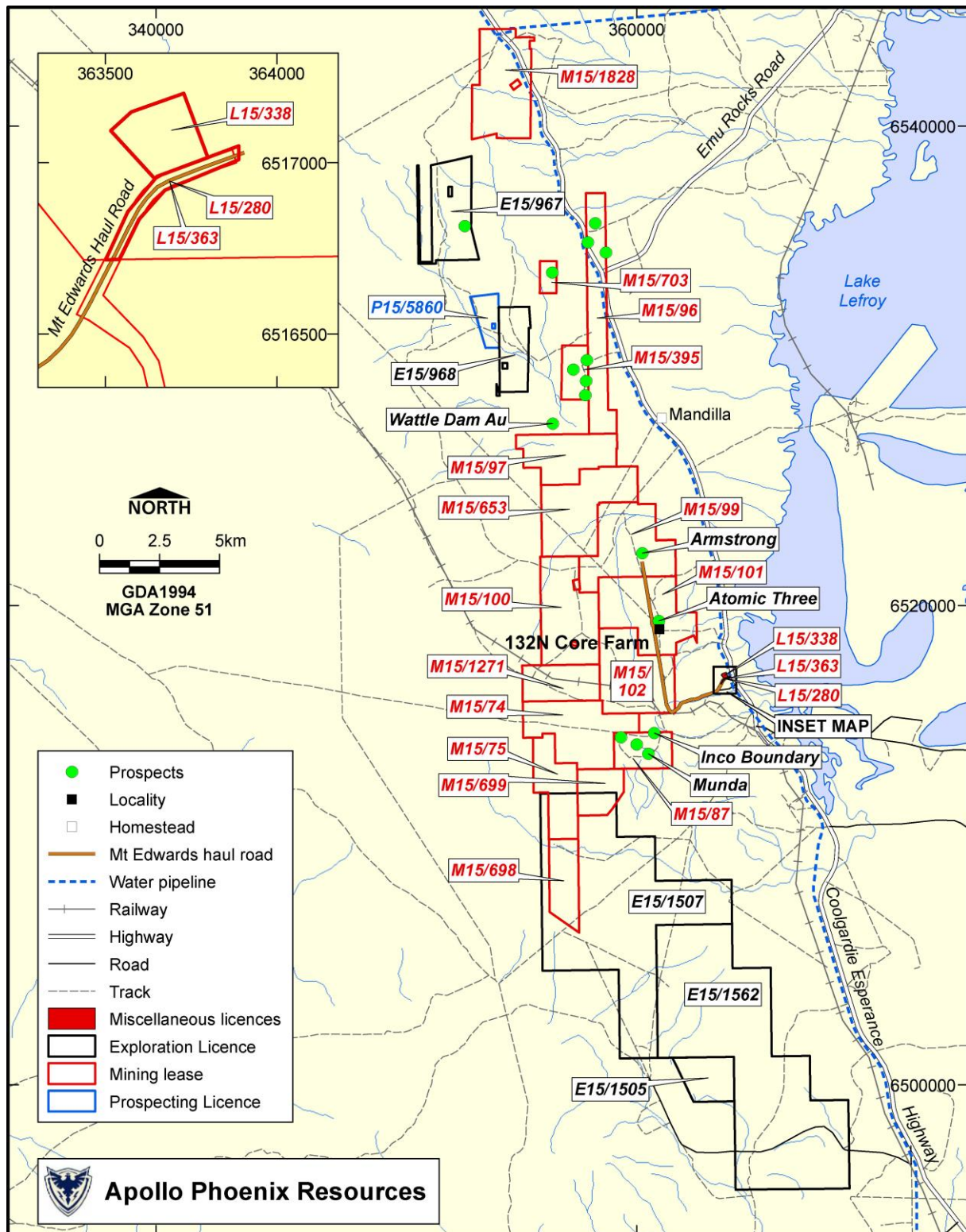


Figure 6: WEMP tenements location

### 3.4 Geology

#### 3.4.1 Regional Geology

The WEMP lies predominantly within the Coolgardie Domain on the western margin of the Kalgoorlie Terrane in the Norseman-Wiluna Greenstone Belt of the Archaean Yilgarn Craton, WA. The Coolgardie Domain is bounded to the east by the Zuleika Shear and to the west by the Bullabulling Shear and post-kinematic intrusive granites (Figure 7). The Coolgardie Domain is one of six tectono-stratigraphic domains of the Kalgoorlie Terrane. These domains are separated by shear zones but share a similar regional stratigraphic succession and a common deformation history.

The characteristic succession of the Kalgoorlie Terrane consists of a lower basalt sequence overlain by komatiite, which is in turn overlain by an upper basalt sequence. Overlying this mafic-ultramafic succession is a sequence of felsic and intermediate volcanic and sedimentary units. Layered mafic sills have intruded at all levels. Felsic porphyry dykes and sills also intrude the sequence and are related to both pre- and post-folding granite intrusions. Late stage coarse clastic sedimentary units complete the Archaean succession, occurring in remnant linear belts representing syn-tectonic sedimentary basins. Proterozoic mafic dykes cut the entire Archaean succession. This succession, with local variations, can be correlated across all domains within the Kalgoorlie Terrane.

Within the Coolgardie Domain the Lower Basalt Unit, the Mount Edwards Basalt, changes upwards from high magnesium to tholeiitic in character. The overlying ultramafic, the Widgiemooltha Komatiite, consists of thick komatiite flows and olivine adcumulate overlain by thin komatiite flows with minor interflow sediments. The upper part of the komatiite unit consists of variolitic high magnesium basalt. The lower komatiite units are the principal host for the nickel sulphide deposits in the region with nickel sulphide mineralisation being predominantly located at or near the basal contact of the komatiite ultramafic with the underlying Mount Edwards Basalt. The Upper Basalt Unit consists of tholeiitic and high magnesium basalt but is only occasionally poorly developed and more commonly absent within the Coolgardie Domain, as is the case within the WEMP. The mafic-ultramafic volcanic succession is overlain by a felsic to intermediate volcanic and volcanoclastic sedimentary sequence, the Black Flag Group. The extrusive rocks range in composition from rhyolite to andesite but are predominantly dacite, and include lava flows, tuff and agglomerate. They are inter-bedded with quartzo-feldspathic siltstone and sandstone. Due to the absence of the Upper Basalt sequence the Black Flag Group rocks directly overlie the Widgiemooltha Komatiite within the WEMP. The youngest Archaean unit, the Merougil Conglomerate, lies within a locally fault-bounded syncline parallel to the regional tectonic trend. It contains alluvial, fluvial and possibly shallow marine, coarse clastic sandstone and polymictic conglomerate.

#### 3.4.2 Local Geology and Mineralisation

At Widgiemooltha the geological setting is dominated by the Widgiemooltha Dome, a synkinematic granitoid diapir intruded into an anticlinal axis of the folded greenstone succession and forming a tight to broad doubly plunging anticline (Figure 8). The WEMP is located along the western rim of the Widgiemooltha Dome. Early D1 thrust faulting together with thrusting, folding and gravitational slumping about this granite body has resulted in numerous repetitions of the greenstone sequence and thus increased the exposure of the basal contact of the Widgiemooltha Komatiite. The WEMP tenements occupy positions over several main ultramafic belts, these being the Mount Edwards Anticline, the Mariners-Redross trend, the Wannaway trend (Mount Edwards Anticline west limb equivalent) and the Larkinvile belt.



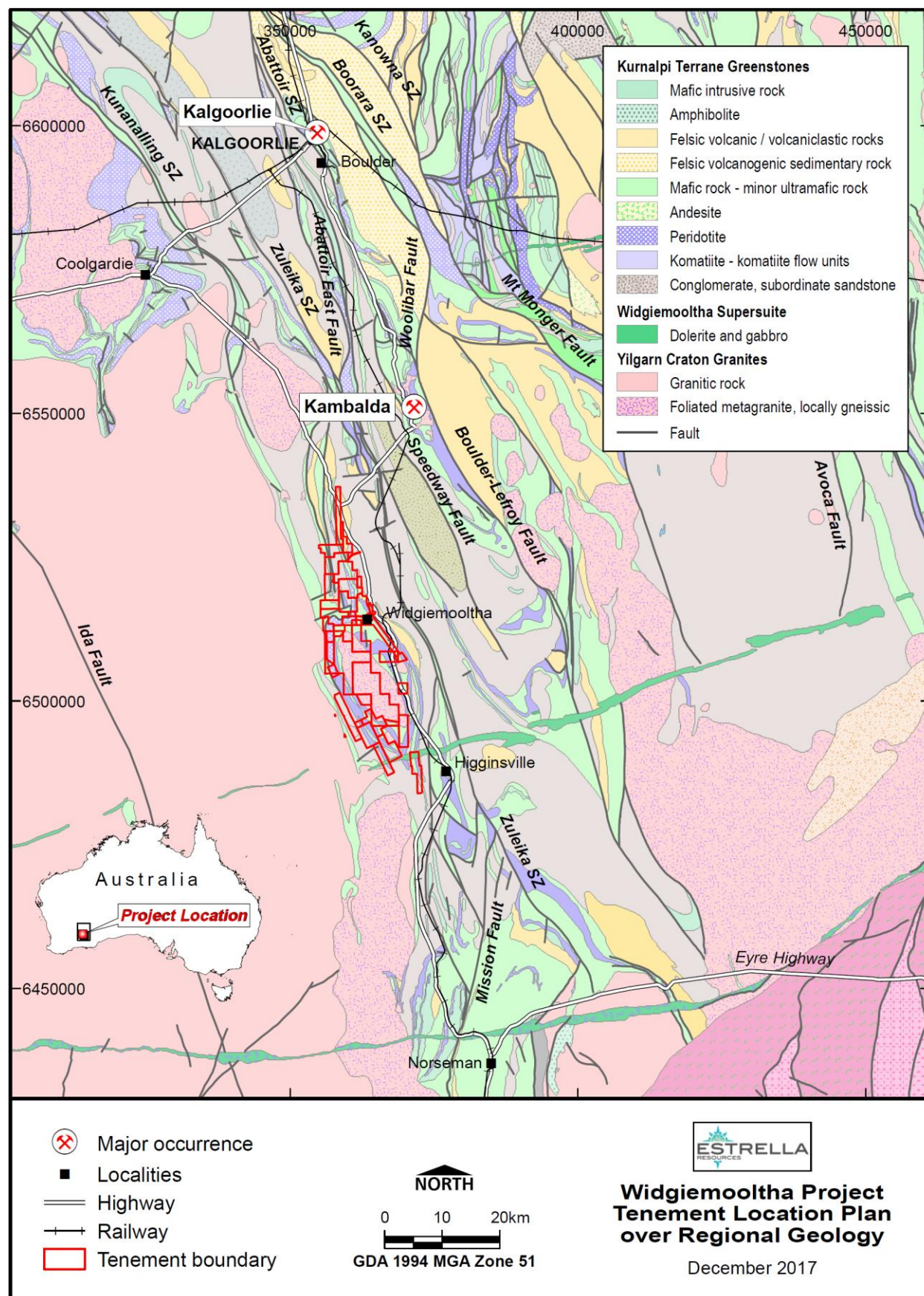
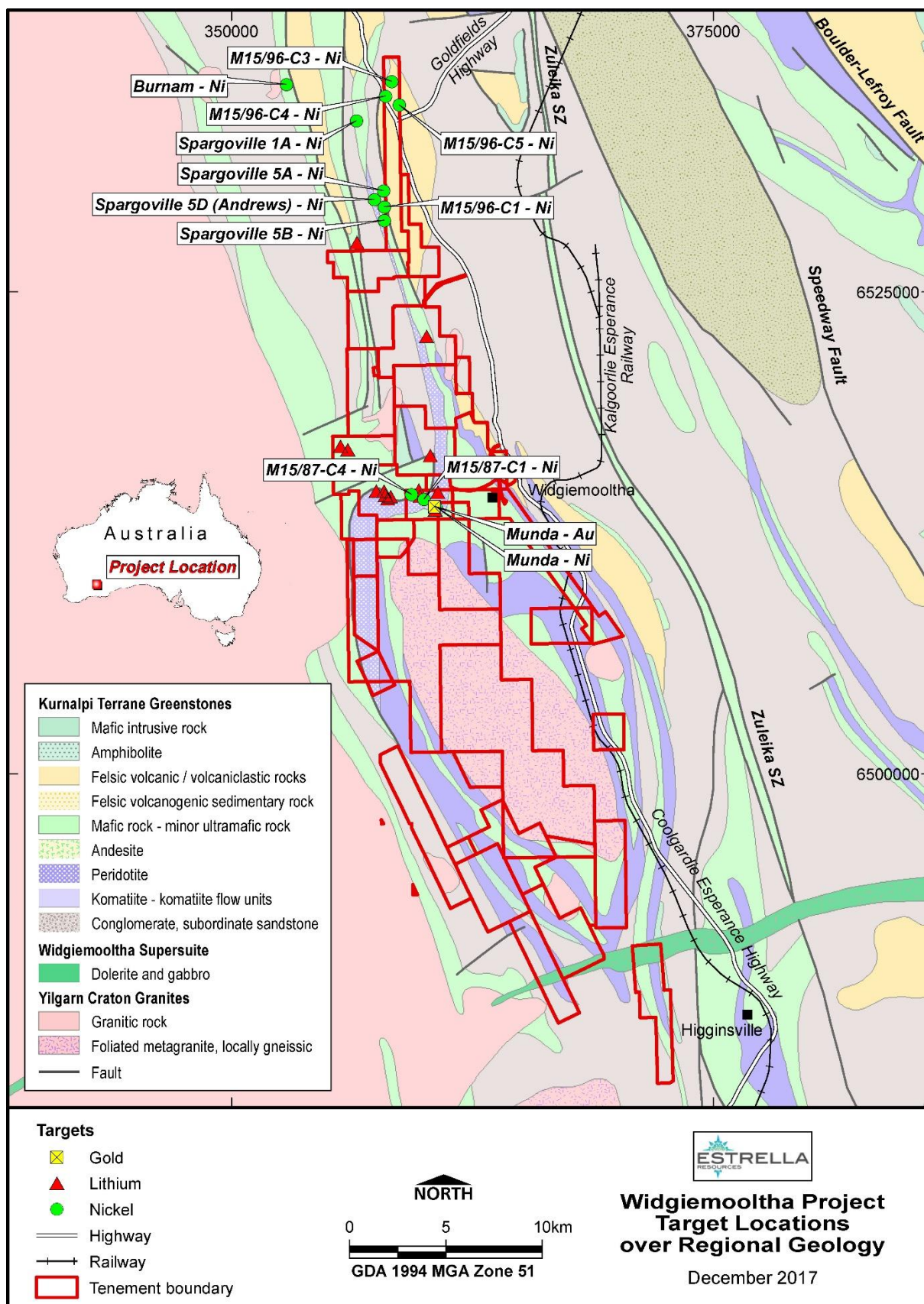


Figure 7: Regional geology of the WEMP





### *Nickel*

The local stratigraphy consists of the Archaean Mount Edwards basalt overlain by the Widgiemooltha Komatiite. The ultramafic succession consists of a series of flows with intercalated sediments. It is approximately 250 m thick and displays carbonate alteration and serpentinisation. The mineral assemblages are talc-antigorite-chlorite-magnetite and talcmagnesite-amphibolite-magnetite.

The style of mineralisation targeted is basal pyrrhotite-pentlandite-chalcopyrite massive sulphide accumulations in channelised surficial lava flows associated with komatiite ultramafic rocks on the contact with the underlying basalt, identical to the well-known Kambalda style of nickel mineralisation. The basal Widgiemooltha Komatiite contact along the Mount Edwards anticline trend has been the most prolific host for nickel sulphide deposits within the WEMP area. These deposits vary from on-contact massive to disseminated sulphides through to structurally modified and remobilised off-contact sulphide accumulations in both hangingwall ultramafic and footwall basalt host positions.

### *Lithium*

Lithium-bearing minerals spodumene and lepidolite in the region are hosted within pegmatite dykes and sills associated with Archean granodiorite and monzogranite intrusives into the greenstone sequence, such as the Depot Granodiorite and Karramindie Monzogranite. The lithium hosting pegmatites occupy a northwest to northeast trending fracture pattern. As a granitic magma solidifies, elements such as lithium are concentrated in the residual low temperature liquids in the upper part of the granite. The lithium enriched liquids are highly mobile and migrate out from the granite into the country rocks along regional fractures and solidify as pegmatites. The pegmatites that host lithium minerals are part of a concentric metal zonation carapace around the margin of the granitic body at some distance from the source granite, depending on local stress fields, fracture orientation, and thermal and chemical factors. The lithium bearing pegmatites around the Depot Granodiorite and Karramindie Monzogranite, for example, are thought to lie in an annulus between about 4 km and 7 km distance from the granite margin. Locally, pegmatites may strike some 3 km in length and have thicknesses up to 300 m.

### *Gold*

The gold mineralisation at Munda is located on the north-western flank of the Widgiemooltha Dome within a sequence of intercalated mafic and ultramafic rocks.

The local stratigraphy consists of the Archaean Mount Edwards Basalt overlain by the Widgiemooltha Komatiite. The ultramafic succession consists of a series of flows with intercalated sediments. It is approximately 250 m thick and displays carbonate alteration and serpentinisation. The mineral assemblages are talc-antigorite-chlorite-magnetite and talc-magnesite-amphibolite-magnetite.

The gold mineralisation has a discontinuous occurrence with a perpendicular strike to the ultramafic/mafic contact over 500 m. The strike of these lenses varies considerably from tens of metres to 200 m. More gold mineralisation occurs parallel to the ultramafic/mafic boundary and also has a strike of 200 m. The gold mineralisation has been defined to about 130 m below the surface.

Two main gold-bearing structures have been delineated, striking northeast and northwest. The intersection of these structures with the ultramafic-basalt contact is associated with the higher-grade gold zones. These higher-grade zones have been interpreted as T-boning structures. These structures are discontinuous in an east-west striking orientation, with a limited lateral extent, dipping north. The mineralisation has been displaced by later brittle deformation along north-northwest trending structures. The gold has been re-mobilised along these structures.

There is also a supergene component of the gold, which tends to be closely related to the top of fresh rock. Depth of complete oxidation ranges from 15 m to 30 m.

### 3.5 WEMP Exploration and Mining History

On the WEMP tenements, exploration has been undertaken by previous holders predominantly looking for nickel and gold with no recorded exploration for lithium. No mining for lithium has been undertaken on the project.

On the WEMP Mt Edwards lithium tenements (E15/1505, E15/1507, E15/1562, M15/74, M15/75, M15/96, M15/97, M15/99, M15/100, M15/101, M15/102, M15/653, M15/698, M15/699, M15/1271), previous exploration was carried out predominantly by Western Mining Corporation (WMC) during the 1980s and Titan Resources from 2001. Consolidated Minerals took over Titan in 2006 (ASX announcement dated 1 September 2006).

Mt Edwards Lithium conducted reconnaissance exploration for lithium in 2017 and reported a number of lithium-bearing pegmatite outcrops from which they took rock grab samples (ASX announcement dated 21 November 2016).

At the WEMP Munda nickel-gold-lithium (M15/87) and Spargoville nickel (E15/967, E15/968, M15/395, M15/703, M15/1828, P15/5860) tenements, there has been extensive past exploration for nickel and gold, with previous historic mining activity of both metals (*Source: Kambalda West Combined Annual Report C443/1996; Breakaway Resources Ltd 2007*). There is no remaining mining infrastructure on the tenements.

On M15/87 (Munda), Anaconda explored the area for nickel between 1967 and 1972, resulting in discovery of nickel sulphide mineralisation in the basal ultramafic komatiite sequence. Between 1972 and 1975, Anaconda entered a JV with Union-Minere to continue exploration for nickel. The project area was acquired by Metals Exploration in 1979 and held until 1983 without any exploration activity. In 1983, WMC acquired the project area and explored for nickel and gold. In 1998, after completion of a reverse circulation percussion (RCP) and diamond drilling program in 1996 that delineated gold and nickel mineralisation, WMC completed a project evaluation of Munda as a combined nickel and gold deposit but did not advance the project further. Resolute Mining Ltd entered into an agreement with WMC in 1999, and open pit mining of the gold mineralisation at Munda commenced in September 1999. Mining was ceased in January 2000 due to the gold price decline at the time. It has not recommenced since that date. Munda was acquired by Titan Resources in 2003. Titan Resources completed a RCP and diamond drill program in 2005 that delineated extensions to the known gold and nickel mineralisation at Munda and updated estimates for the mineralisation tonnage and grade. Exploration passed to Consolidated Minerals Limited with the takeover of Titan Resources in 2006, and exploration focus shifted away to the nickel deposits of the Mt Edwards area currently covered by the lithium-only Estrella WEMP tenements (*Source: Widgiemooltha North Annual Report C19/2002; Consolidated Minerals Ltd 2007*).

Australian Selection Pty Ltd (later Selcast Exploration) conducted regional exploration throughout the Spargoville area (E15/967, E15/968, M15/395, M15/703, M15/1828, P15/5860), between 1966 and 1971. During this period, numerous prospective targets were identified including the 1A (Ni), 5A (Au+Ni), 5B (Ni) and 5D (Ni) deposits. During 1974, Selcast commenced underground mining at the 5D deposit which was renamed Andrews. Selcast produced approximately 13,000 tonnes of nickel metal from the deposit before cessation of mining 1979. No exact public figures are available on the tonnage and grade produced in this period. Mining reached a total depth of 250 m below surface (*Source: Kambalda West Combined Annual Report C443/1996; Breakaway Resources Ltd 2007*).

In the early 1980s, Billiton acquired the Spargoville Project from Selcast and continued exploration in the Spargoville area, to determine the potential for economic gold mineralisation. Billiton re-assayed existing holes drilled by Selcast that reported gold intersections and completed a series of percussion holes across the lease within the project area (*Source: Kambalda West Combined Annual Report C443/1996; Breakaway Resources Ltd 2007*).



Billiton failed to identify a significant gold resource and in 1990 sold the mining leases surrounding the main nickel sulphide deposits to Spargoville Nickel Pty Ltd (Spargoville) and surrendered the remaining ground. Spargoville drilled metallurgical holes at the 5B deposit and near-surface RCP drillholes at the 5A deposit. Between 1992 and 1993, Spargoville mined the 1A deposit and produced approximately 112,000 tonnes at 3.8% Ni. Mining took place on three underground levels spaced 25 m apart vertically to a total depth of 175 m below surface (*Source: Kambalda West Combined Annual Report C443/1996; Breakaway Resources Ltd 2007*).

In 1993, the project was sold to Amalg Resources NL (Amalg). Amalg commenced open pit mining of the 5B deposit in 1995, targeting a small oxide gold resource previously identified by Billiton. A total of 9,700 tonnes of ore was mined from the 35 m deep pit at a sampled grade of 2.77 g/t Au. A decline was developed into the footwall of the 5A orebody; however, elevated arsenic levels in the ore and falling nickel prices prevented production from the mine at this time. Amalg completed underground diamond holes from the 5B decline during 1997 and increased the deposit size at the time based on the results. Amalg also completed diamond and RCP holes at the 5A deposit between 1993 and 1997 aimed at defining an oxide nickel resource. Between July and October 1997, Amalg mined a 30 m deep pit at the 5A deposit. A total of 34,560 tonnes of oxide nickel ore was mined and stockpiled at a sampled grade of 2.36% Ni. In December 1999, Amalg conducted a shallow vertical RCP drilling program at the 5A pit to generate sufficient quantities of nickel sulphide mineralization for metallurgical work on the transitional ore. During 2003, approximately 20,000 tonnes of stockpiled nickel gossan from the 5A open cut grading approximately 2.6% Ni was sold to OMG Cawse for treatment through the pressure acid leach (PAL) plant at Cawse (*Source: Kambalda West Combined Annual Report C443/1996; Breakaway Resources Ltd 2007*).

In 2007 to 2008, Breakaway Resources Limited (BRW) conducted drilling at depth below the 1A deposit and intersected significant mineralisation below the existing workings. This extended the nickel mineralisation to a depth of 200 m below the existing workings on several trends that remain open at depth. BRW also drilled below the 5D (Andrews) workings, with intersections of sulphide and downhole electromagnetics (DHEM) at the time indicating extension of the mineralisation at depth extending to the north (*Source: Kambalda West Combined Annual Report C443/1996; Breakaway Resources Ltd 2007*).

Tychean Resources Limited RCP drilled the 5B deposit in 2014 to confirm historic results (ASX announcement dated 20 June 2014).

### 3.6 Mineral Resources and Exploration Potential

#### 3.6.1 Mt Edwards Lithium

The WEMP is located centrally within an area that has become the focus of lithium exploration resulting in the definition of resources and emerging mining activity (Figure 9).

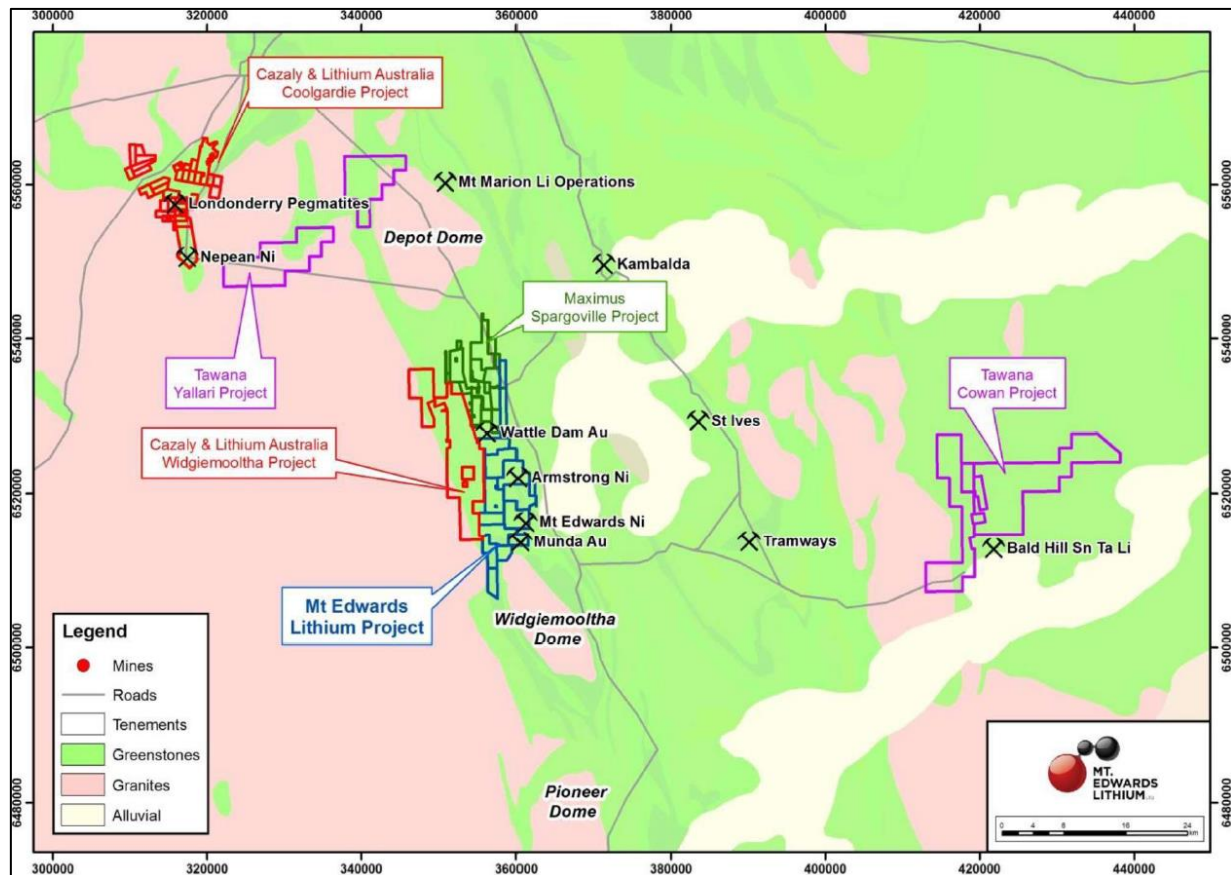


Figure 9: Regional context of the WEMP lithium prospectivity

Source: Estrella ASX announcement dated 21 November 2016

At Mt Edwards, many outcropping pegmatite swarm occurrences are highly anomalous for lithium. The dominant lithium mineral phase appears to be spodumene with accessory lepidolite.

An estimated 40% of the known outcropping pegmatite occurrences on the Mt Edwards Lithium Project remain untested for lithium, and only limited drill testing of targets has been carried out to date. There remains significant exploration work to be carried out to fully test the tenements.

The lithium-only Mt Edwards tenements are considered by CSA Global to be at an early exploration status. Proof of concept has been established through the surface identification of lithium-mineral bearing pegmatites (Figure 10). The results of surface mapping and grab sampling are encouraging and warrant follow-up exploration activity. These results coupled with the regional context of lithium exploration and development by other companies in the area demonstrate that the project has significant exploration potential for discovery. Further exploration work is required on these tenements to determine whether sufficient quantity of mineralisation may exist to form a basis for a JORC 2012 compliant Mineral Resource.

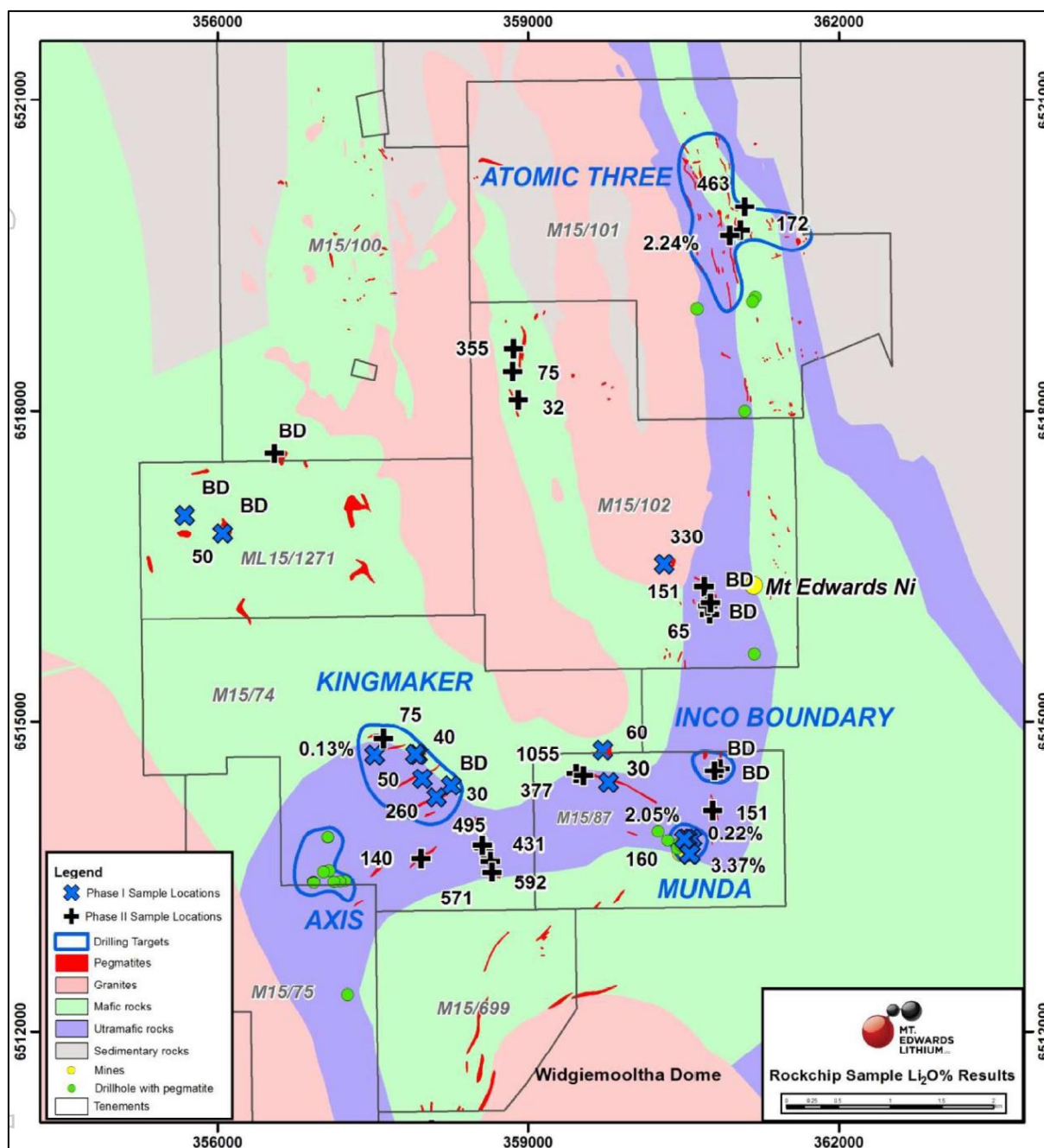


Figure 10: Area of recent sampling showing pegmatite outcrops in red and Li<sub>2</sub>O assay results with blue crosses; results are in ppm unless stated otherwise; BD = Below Detection

Source: Estrella ASX announcement dated 21 November 2016

### 3.6.2 Spargoville Nickel

No current Mineral Resource estimates exist for the nickel mineralisation identified on the Spargoville nickel-only tenements due to the variable quality of historic drilling data and uncertainty around the quantity and extent of past mining activities. The tenements are considered by CSA Global to represent advanced exploration status projects.

The presence of known nickel mineralisation in channelized ultramafic basal flows demonstrates the exploration potential of the tenements. At the Spargoville 1A target, the down plunge extensions of the known mineralisation represent a high priority exploration target (Figure 11 and Figure 12). The use of



drilling guided by modern DHEM surveying will provide the best opportunity for discovery of noteworthy magmatic sulphides.

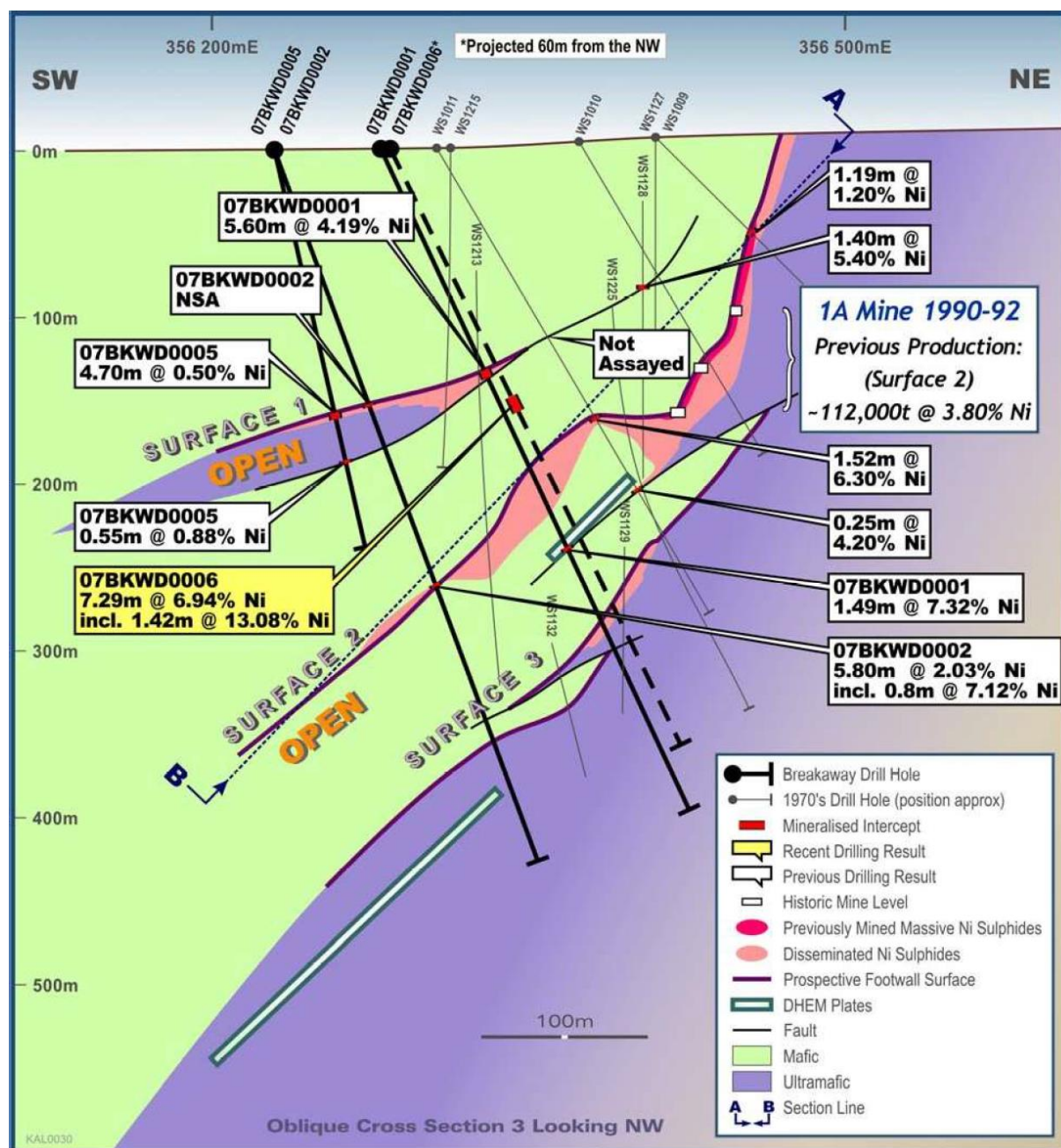
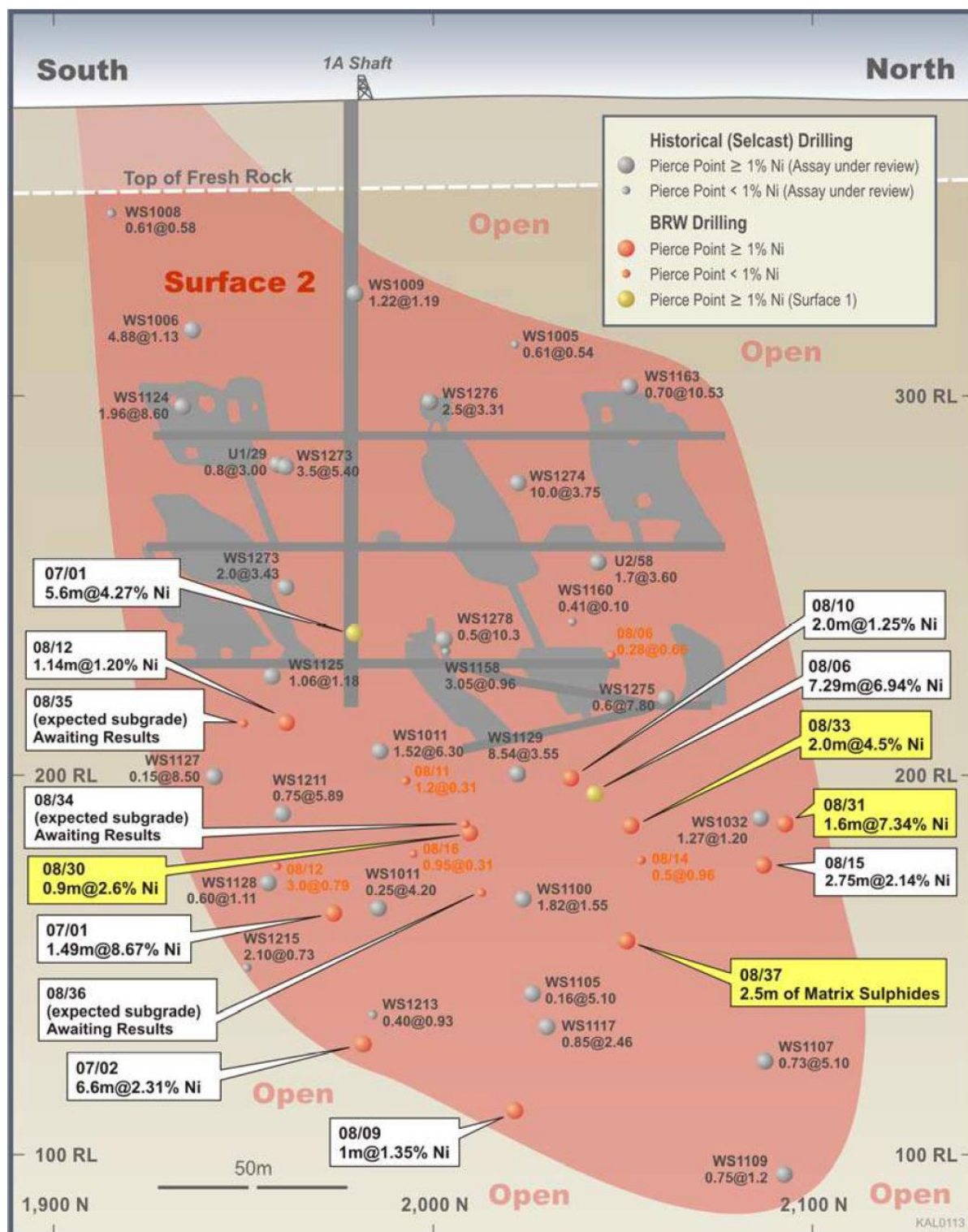


Figure 11: Cross section of the 1A project, showing mineralisation domains, mine workings and interpreted down plunge potential

Source: BRW ASX announcement dated 19 November 2007

At the Spargoville 5D (Andrews) target, the potential extensions of the known mineralisation to the north and down plunge represent a high priority exploration target (Figure 13). The use of drilling guided by modern DHEM surveying will provide the best opportunity for discovery of significant magmatic sulphides.





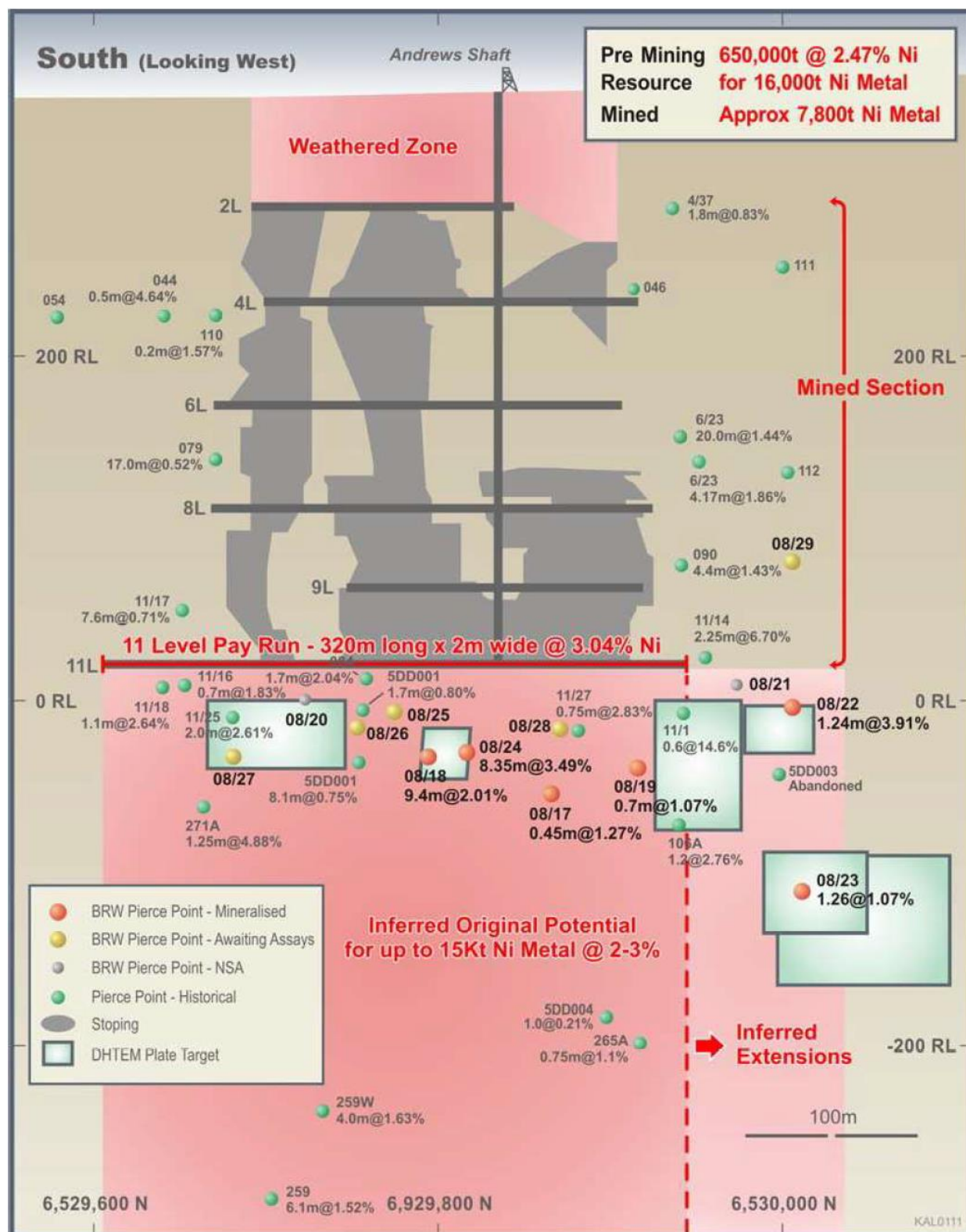


Figure 13: Longitudinal section of the 5D (Andrews) project, showing mineralisation domains, mine workings and interpreted along strike and down plunge potential

Source: BRW ASX announcement dated 4 September 2008

Thick high-grade nickel intercepts have been returned from drilling by previous operators beneath the historic open pit at 5A (Figure 14). These intercepts represent a good opportunity to potentially delineate a current Mineral Resource. The high-grade nickel mineralisation appears to be open at depth. This may

represent significant exploration upside at the project. A strong DHEM conductor has been identified within and below currently defined mineralisation. This conductor represents a compelling drill target.

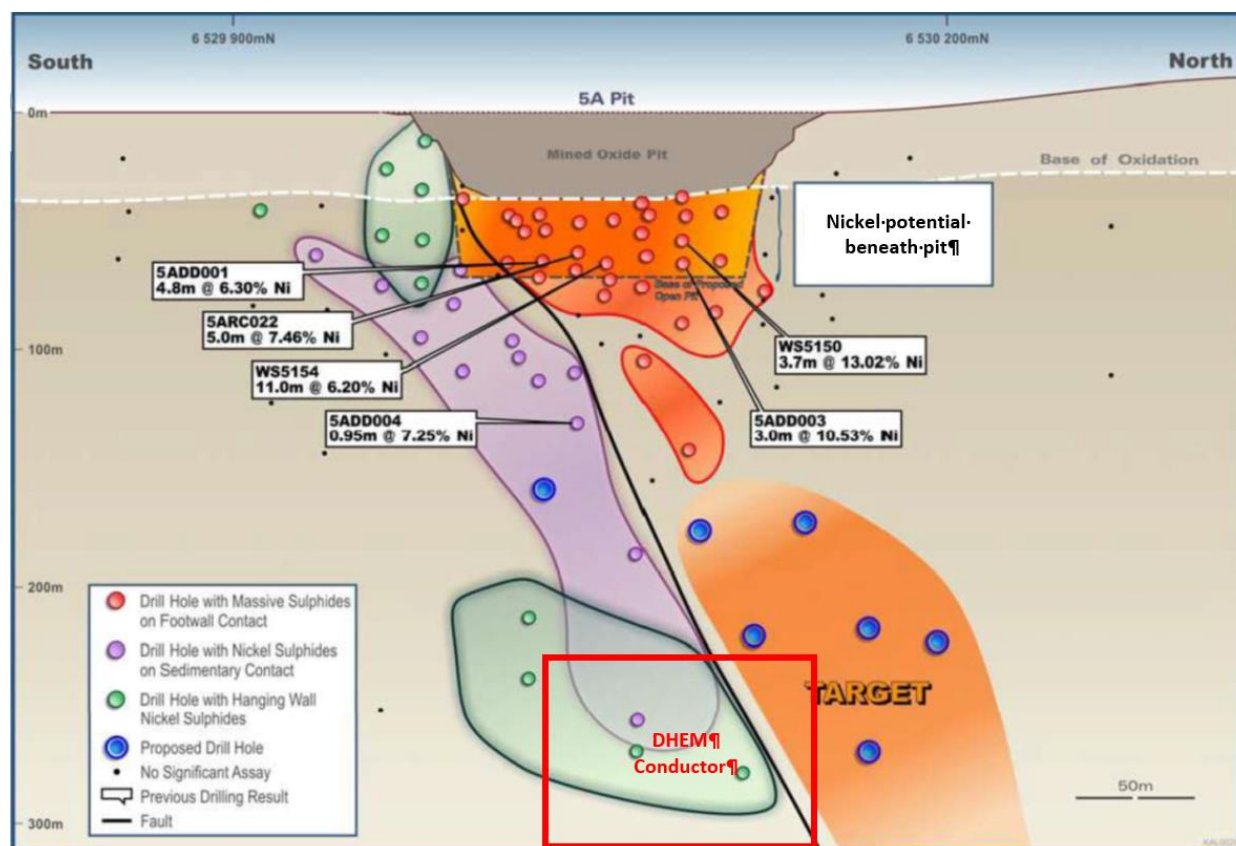


Figure 14: Longitudinal section of the 5A project, showing mineralisation domains, mine workings and interpreted down plunge potential; proposed holes depicted by BRW were never drilled

Source: BRW ASX announcement dated 19 November 2007

While exploration activity at project 5B has been conducted almost exclusively looking for gold beneath the historic 5B gold open pit mine, RCP drillholes completed by Tychean Resources in 2014 returned significant intersections of nickel that have never been followed up (Figure 15). As reported by Minotaur Exploration, these nickel intersections are also intimately associated with elevated values for copper, PGE, gold and cobalt. The down plunge extent of this nickel mineralisation is open in all directions and remains a good exploration target for drilling directed by DHEM geophysical surveys.

ESR has also identified four EM conductors in the historic regional exploration data for the Spargoville nickel tenements. One of these, M15/96-C1, straddles the boundary between tenement M15/96 and tenement M15/395. The conductor is located between 5A and 5D and appears to be situated on the same ultramafic basal contact overlying the basalt.

All the nickel targets at Spargoville will benefit from advances in modern EM surface and downhole survey technology that was not available during the previous exploration phases conducted. There is significant potential for discovery of additional nickel sulphide mineralisation.

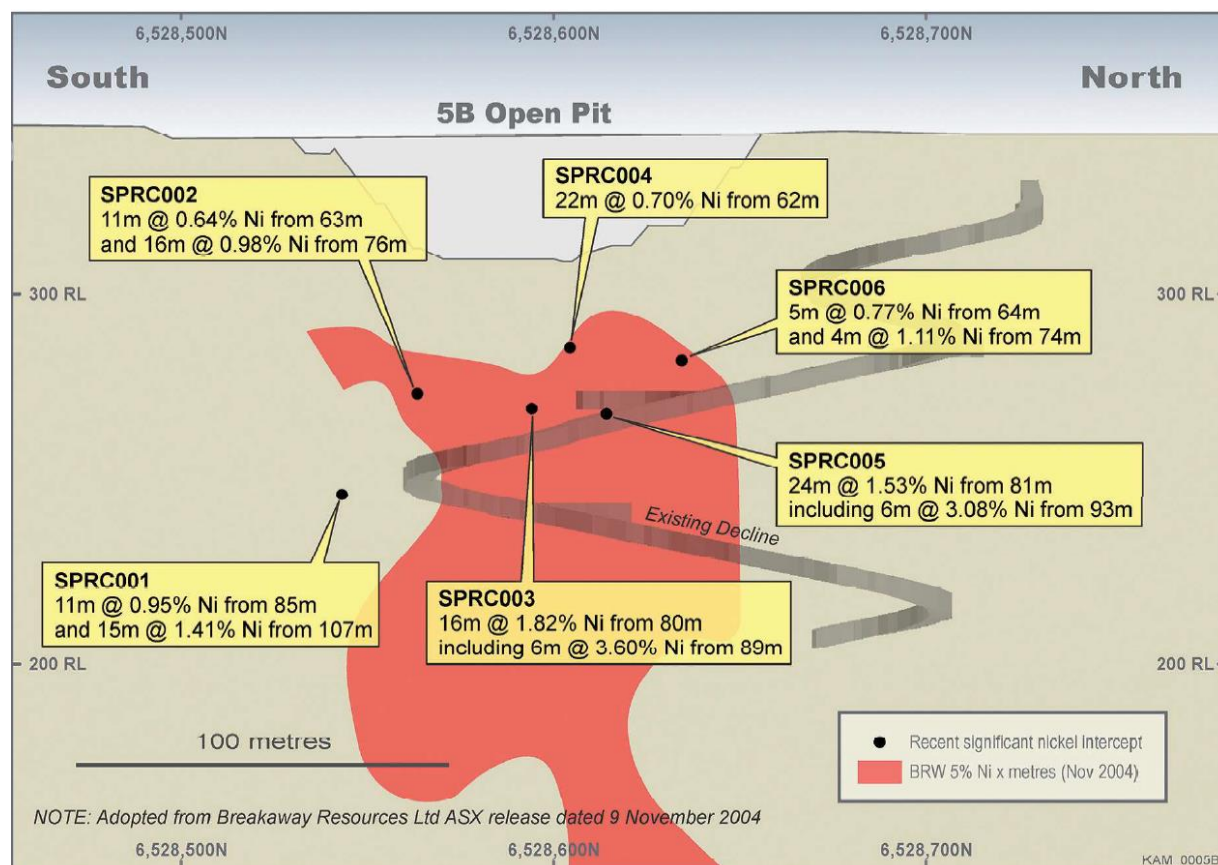


Figure 15: Longitudinal section of the 5B project, showing mineralisation domains, mine workings and interpreted down plunge potential

Source: Minotaur Exploration ASX announcement dated 23 July 2014

### 3.6.3 Munda Lithium-Nickel-Gold

On the Munda (M15/87) nickel-gold-lithium tenement, a grab sample reported by Estrella from the historic Munda gold pit on M15/87 returned an assay of 3.37%  $\text{Li}_2\text{O}$  (Figure 10). As at Mt Edwards, the exploration of the area for lithium is still in the early reconnaissance stage of exploration and is considered by CSA Global to be at an early exploration stage, with proof of concept.

Apollo reported an Inferred Mineral Resource of 511 kt at 2.82 g/t Au in accordance with the JORC Code (2012), and an adjacent, but separate, Inferred Mineral Resource of 240 kt at 2.36% Ni, also in accordance with the JORC Code (2012) (ASX announcement dated 4 September 2017). These resources are small within the regional context for this style of mineralisation. CSA Global has taken the view that these figures are proof of concept of the fertility of the WEMP nickel and gold systems, and hence looks at the project in the context of an advanced exploration status with known significant mineralisation but requiring further exploration work.

Within the gold Inferred Mineral Resource, several high-grade zones occur, which are interpreted to be formed where sub-vertical north-northwest trending structures intersect a sheared basal contact between an ultramafic hangingwall and metabasaltic footwall (Figure 16). This is interpreted to result in high-grade plunging shoots within a lower grade envelope of gold mineralisation.



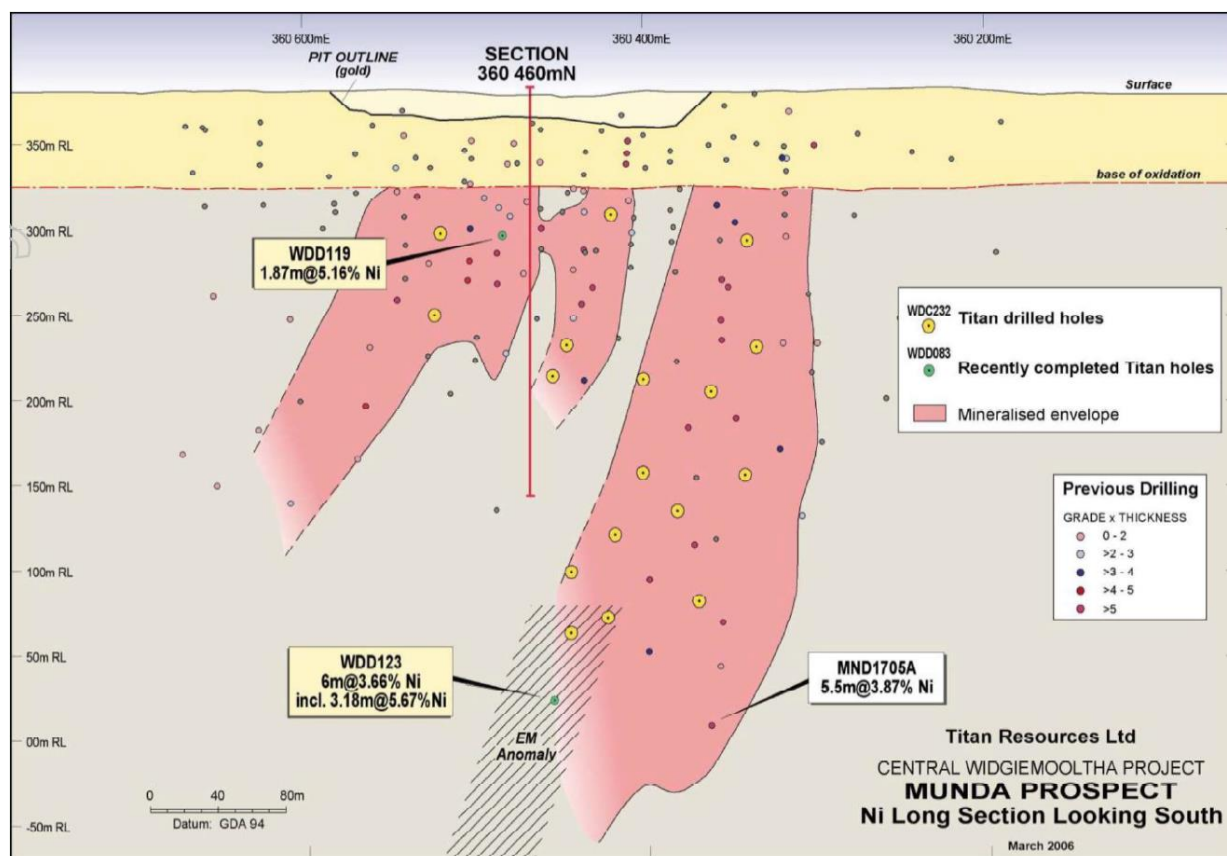


Figure 16: Cross section of the Munda Gold project, showing mineralisation domains, mine workings and interpreted down plunge potential

Source: Estrella ASX announcement dated 4 September 2017

Potential exists for further nickel sulphide mineralisation down plunge of the Munda Nickel Inferred Mineral Resource. Several DHTeM conductors were identified down plunge to the nickel mineralisation by Titan Resources during exploration programs conducted up to 2007 (Figure 17), but these are yet to be followed up by drilling.

There are also two greenfields EM conductor targets, M15/87-C1 and M15/87-C4, located northwest of Munda within M15/87. These conductors were identified by Consolidated Minerals during MLTEM surveys completed in 2010. There is geochemical, geophysical and geological support for these targets, which have never been drill tested. Use of modern electromagnetic surface and DHEM survey technology should further refine and delineate these targets ready for drill testing.

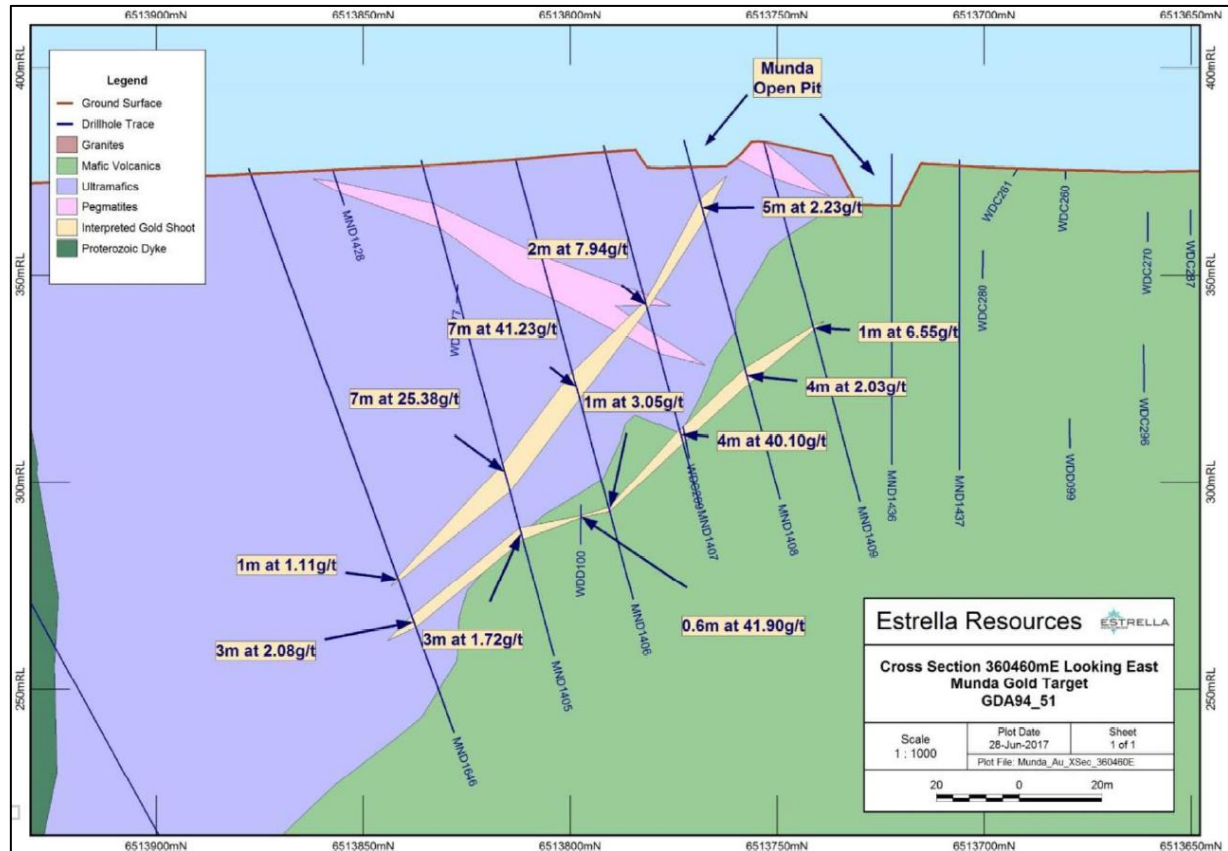


Figure 17: Longitudinal section of the Munda nickel project, showing mineralisation domains, mine workings and interpreted down plunge potential; the section line relates to the gold cross section in Figure 16

Source: Estrella ASX announcement dated 4 September 2017

## 4 Valuation

Valuation of Mineral Assets is not an exact science; and a number of approaches are possible, each with varying positives and negatives. While valuation is a subjective exercise, there are a number of generally accepted procedures for establishing the value of Mineral Assets. CSA Global consider that, wherever possible, inputs from a range of methods should be assessed to inform the conclusions about the Market Value of Mineral Assets.

The valuation is always presented as a range, with the preferred value identified. The preferred value need not be the median value and is determined by the Practitioner based on their experience.

Refer to [Appendix 1](#) for a discussion of Valuation Approaches and Valuation Methodologies, including a description of the VALMIN classification of Mineral Assets.

In this report, the Mineral Assets were assessed as advanced exploration projects, with demonstrated potential for discovery through the past identification of small scale deposits, some of which have been historically mined, and current Inferred Mineral Resources in the case of M15/87 on the WEMP. These Inferred Mineral Resources are small scale in the regional context for these styles of mineralisation, and significant further work is required to progress them further. They are therefore herein treated for valuation purposes as significant proof of concept of an advanced exploration stage project, and enhance the exploration potential for further discovery, relative to what may be the case for other earlier stage exploration projects for these commodities.

Therefore, this report utilises the Market Approach or Comparable Transaction Method, and the Geoscience Factor or Kilburn Method, as the best options to arrive at Market Value for exploration projects. In the case of M15/87, CSA Global also considers comparable resource transactions and the Yardstick order of magnitude crosscheck.

### 4.1 Previous Valuations

All the projects in question have been the subject of recent purchase transactions. Transactions quoted below have been identified from S&P Global Market Intelligence and are described based on public releases by the companies, at the time of announcement.

An undisclosed private equity buyer paid A\$1.6 million in cash and A\$0.6 million as future contingent payment, to acquire a 100% interest in the Widgiemooltha project (covering the current Munda lithium-nickel-gold and Mt Edwards lithium projects (M15/87, E15/1505, E15/1507, E15/1562, M15/74, M15/75, M15/96, M15/97, M15/99, M15/100, M15/101, M15/102, M15/653, M15/698, M15/699 and M15/1271), as well as the Carr Boyd nickel project (E29/982, E29/1012, E31/726, E31/1124, E31/1162, M31/12, M31/109 and M31/159), from SLM, a wholly owned Australian subsidiary of Canadian company, RNC Minerals (TSX:RXN). The transaction was completed on 8 February 2016. No further information on the nature of the contingent payment has been disclosed.

On 7 November 2016, Estrella announced the purchase from Apollo of a 75% interest in the lithium rights on the Munda and Mt Edwards projects (M15/87, E15/1505, E15/1507, E15/1562, M15/74, M15/75, M15/96, M15/97, M15/99, M15/100, M15/101, M15/102, M15/653, M15/698, M15/699 and M15/1271). Estrella issued 106.0 million shares of its common stock to Apollo to acquire 100% of Mt Edwards Lithium Pty Ltd, a wholly owned subsidiary of Apollo and the holder of the Mt Edwards lithium rights. In addition, Estrella issued a further 13,333,333 shares to the facilitator, as a facilitator transaction fee. The deal was completed on 28 December 2016.

On 4 September 2017, Estrella announced the purchase of 25% of the lithium rights and 100% of the gold and nickel rights to the Munda project (M15/87) and 100% of the nickel rights to the Spargoville projects

(E15/967, E15/968, M15/395, M15/703, M15/1828, P15/5860) from Sydney-based WA Nickel Pty Ltd. Estrella issued 34.0 million shares of its common stock to shareholders of WA Nickel Pty Ltd, holder of the mineral rights, to acquire 100% of the company. The deal was completed on 25 October 2017.

On 16 October 2017, Estrella announced the purchase from Apollo of its 100% interest in the Carr Boyd Nickel Project (E29/982, E29/1012, E31/726, E31/1124, E31/1162, M31/12, M31/109 and M31/159), through an acquisition of 100% interest in Carr Boyd Nickel Pty Ltd, a wholly owned subsidiary of Apollo and holder of the tenements. Estrella will pay a deposit of A\$160,000 and issue 42.60 million shares of its common stock to Apollo to acquire Carr Boyd Nickel Pty Ltd. In addition, Estrella will further issue 17.0 million unlisted options to Apollo with a A\$0.05 exercise price, which expire three years from issue. The deal is still pending. This is the transaction being assessed in the IER for which this Report has been prepared.

## 4.2 Market and Commodity Prices

Recent lithium price history is summarised in Figure 18 (five-year period) and Figure 19 (July 2015 onwards). From the monthly prices (Figure 18) it is evident that lithium prices were slowly and steadily increasing through 2013 and 2014 (from around A\$5,000/t to around A\$6,000/t), with the rate of increase ramping up slightly during 2015 (around A\$9,500/t by December 2015), and rising sharply since then, peaking at around A\$23,500/t in September 2017, and currently around A\$20,500/t.

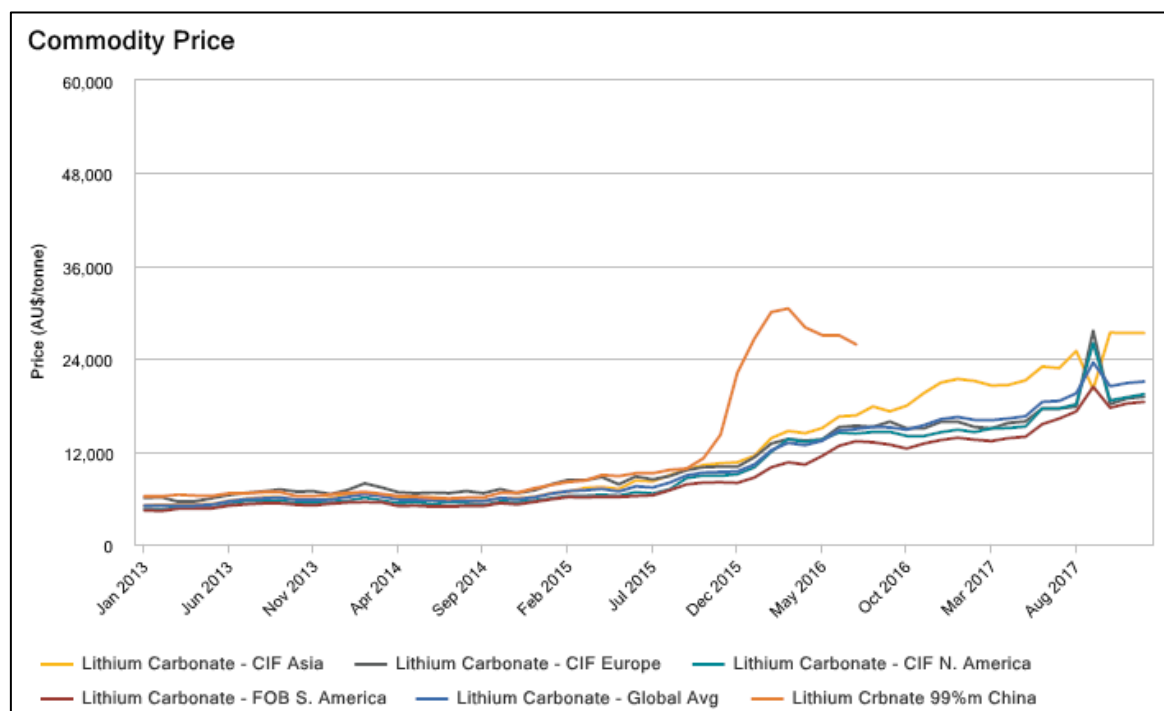


Figure 18: Lithium price history (monthly) for past five years

Source: S&P Global Market Intelligence

The daily lithium prices (Figure 19) reflect the same trend, but with greater detail. It is evident that the market conditions, as indicated by the market price for lithium, were significantly different prior to late 2015 than they are currently.

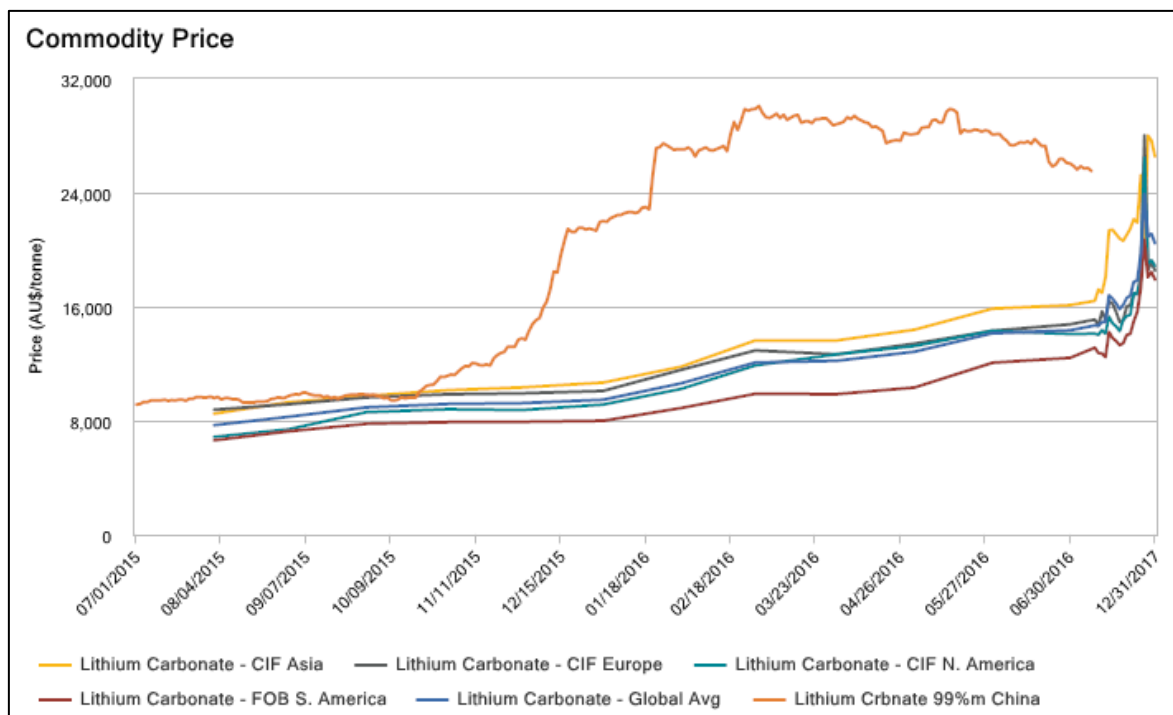


Figure 19: Lithium price history (daily) from July 2015 onwards

Source: S&P Global Market Intelligence

Recent nickel price history is summarised in Figure 20 (five-year period) and Figure 21 (July 2015 onwards). From Figure 20 it is evident that nickel stocks steadily increased until mid-2015, before falling slightly until mid-2016, and has since been relatively stable. In broad terms, nickel prices were dropping through 2014 and 2015, and has been rising since then. Figure 21 shows this at a more granular level for the period since July 2015.

The gold price history for the past five years is summarised in Figure 22. Whilst the gold price has been fairly volatile, it has nevertheless generally increased from around A\$1,300/oz in mid-2013 to around A\$1,700/oz in December 2017.

The recent changes in lithium and nickel prices are indicative of a change in market conditions when comparing current conditions to those prevailing prior to January 2016. Changes in commodity prices within this period highlights the need to normalise commodity prices when comparing transactions within this time period.





Figure 20: Nickel price history (monthly) for past five years

Source: S&P Global Market Intelligence

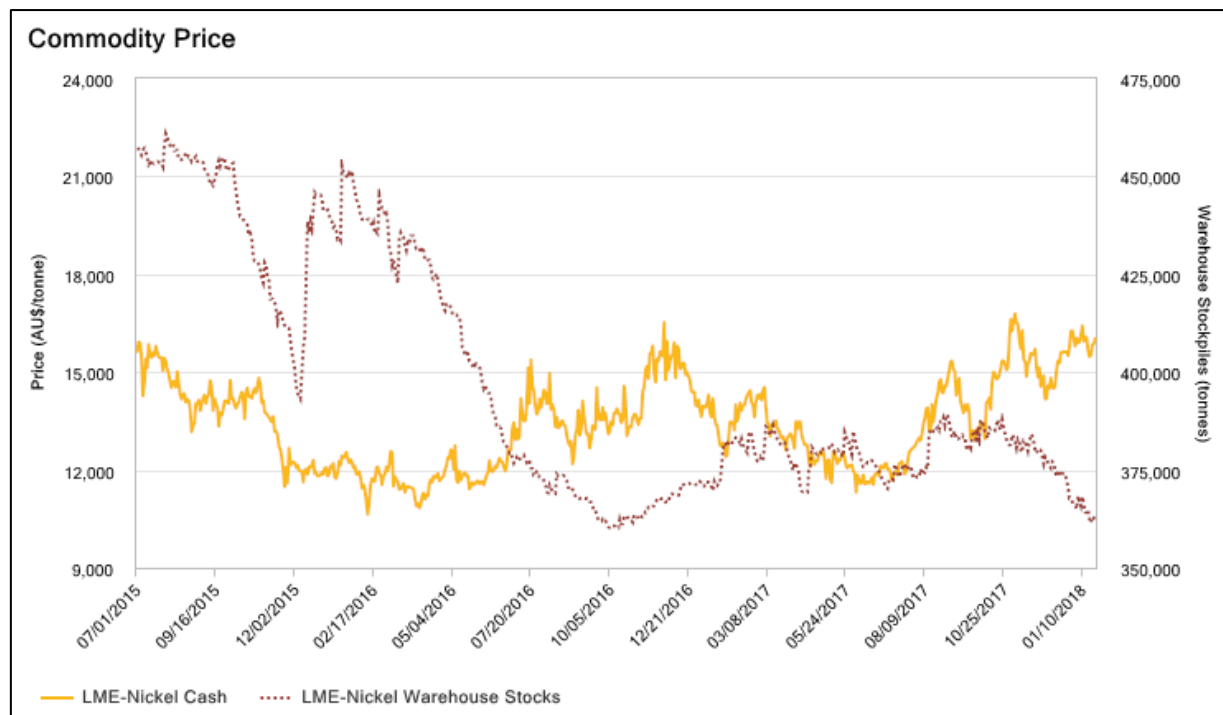


Figure 21: Nickel price history (daily) from July 2015 onwards

Source: S&P Global Market Intelligence

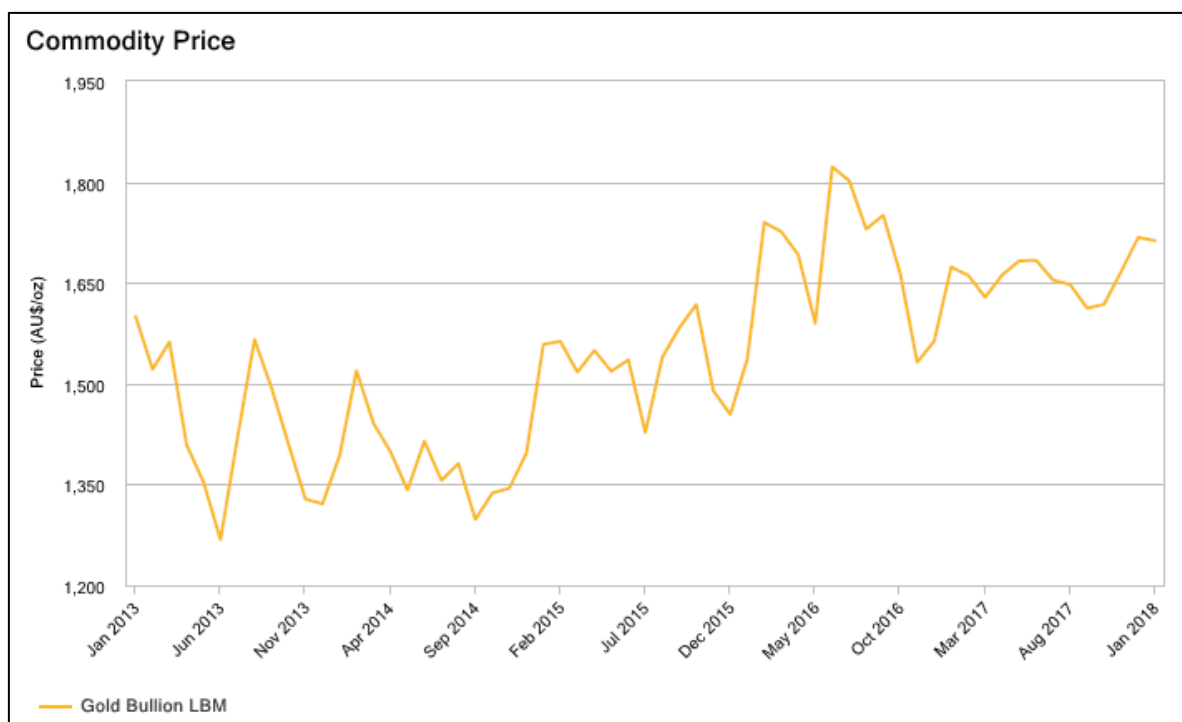


Figure 22: Gold price history (monthly) for past five years

Source: S&P Global Market Intelligence

### 4.3 Valuation Approach

CSA Global has considered various valuation methods in forming an opinion on the value of the tenements, based on the information available and the identified prospectivity of the tenement groupings (Table 4).

Table 4: Valuation methods considered

Project	Tenements	Area (km <sup>2</sup> )	Resource	Method
WEMP lithium licences#	E15/1505, E15/1507, E15/1562, M15/74, M15/75, M15/96, M15/97, M15/99, M15/100, M15/101, M15/102, M15/653, M15/698, M15/699, M15/1271	185.5	-	Area Transactions, Kilburn
WEMP nickel licences	E15/967, E15/968, M15/395, M15/703, M15/1828, P15/5860	27.1	-	Area Transactions, Kilburn
WEMP Munda licence	M15/87	3.6	46,330 oz Au 5,664 t Ni	Resource Transactions, Yardstick, Kilburn, Area Transactions
Carr Boyd licences	E29/982, E29/1012, E31/726, E31/1124, E31/1162, M31/12, M31/109, M31/159	235.2	-	Area Transactions, Kilburn

#Estrella 75% interest

### 4.4 Transactions

Based on the analysis of commodity prices summarised in Section 4.2 of this Report, CSA Global considered transactions that were announced post-December 2015, where sufficient information on the transaction and material projects were available in the public domain for the analysis of the transactions.

In analysing the transactions, implied A\$/km<sup>2</sup> (or A\$/oz and A\$/t) prices for the projects were normalised to recent commodity prices, to allow a comparison of transactions that occurred at different times within

the period considered. Share consideration was valued as equivalent to cash, considering the share price on the day the transaction was initially announced, unless the shares were issued at a specified deemed value. Contingent payment, such as additional payments on achieving specified project development milestones, was not considered. For earn-in transactions, the transactions were assessed at the first point at which equity was earned.

#### 4.4.1 Exploration Areas Lithium

CSA Global considered 16 transactions involving exploration tenements prospective for lithium in WA, that were announced post December 2015. Transactions considered were comparable to Estrella's original purchase of the lithium rights in the WEMP, in terms of exploration activity and geoscience knowledge, as well as proximity to significant third-party projects with mineral resources or mining operations. These transactions are summarised and analysed in [Appendix 2](#).

The transactions were analysed in terms of implied A\$/km<sup>2</sup> of tenure acquired. This was then normalised to the lithium price of A\$20,483/t, being the global average spot price for lithium carbonate on 31 December 2017. Some of the analyses carried out by CSA Global are summarised in Table 5 and illustrated in Figure 23, Figure 24 and Figure 25.

Table 5: Summary statistics of Lithium Exploration Area Land comparable transactions

	All transactions		100 km <sup>2</sup> to 500 km <sup>2</sup>		100 km <sup>2</sup> to 500 km <sup>2</sup> , trimmed	
	Implied (A\$/km <sup>2</sup> )	Normalised <sup>#</sup> (A\$/km <sup>2</sup> )	Implied (A\$/km <sup>2</sup> )	Normalised <sup>#</sup> (A\$/km <sup>2</sup> )	Implied (A\$/km <sup>2</sup> )	Normalised <sup>#</sup> (A\$/km <sup>2</sup> )
Count	16	16	7	7	5	5
Minimum	419	564	419	564	1,252	1,663
Maximum	46,870	62,260	46,870	62,260	9,990	12,725
Mean	7,958	10,671	10,218	13,717	4,848	6,639
Median	3,377	5,056	3,834	6,109	3,834	6,109
Weighted average	3,840	5,069	6,983	9,374	4,161	5,648

<sup>#</sup>Normalised to lithium carbonate spot price of A\$20,483/t

Estrella's acquisition of the lithium rights to Mt Edwards and Munga represents the highest implied value per square kilometre of the considered transactions (Figure 23), and clearly represents an outlier in the transaction set. The reason for this premium relative to the other lithium projects considered are not clear in terms of exploration activity, prospectivity or geoscience knowledge. Altura's agreement to earn in to 75% of the Wodgina East project in November 2016, also appears to be an outlier, but is not as anomalous.

The analysis shows that there is a relationship between area of the projects and the price of acquisition (Figure 24 and Figure 25), in that smaller projects areas appear to attract a higher purchase price on an area basis. This is likely because smaller project areas tend to be more focused.

In recognition of this apparent relationship between project areal extent and acquisition price, CSA Global has focused on transactions involving projects in the 100 km<sup>2</sup> to 500 km<sup>2</sup> size range, as Estrella's lithium exploration ground currently covers an area of approximately 185 km<sup>2</sup>.

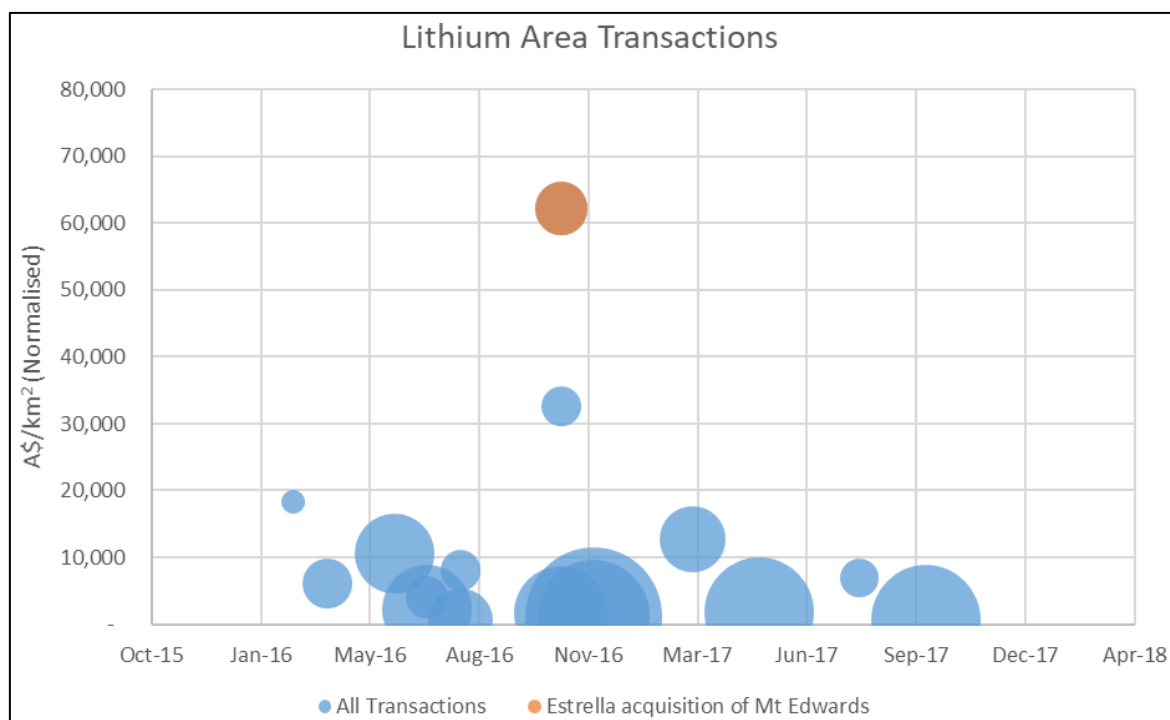


Figure 23: All lithium area transactions

Note: Bubble size proportional to comparative area of projects

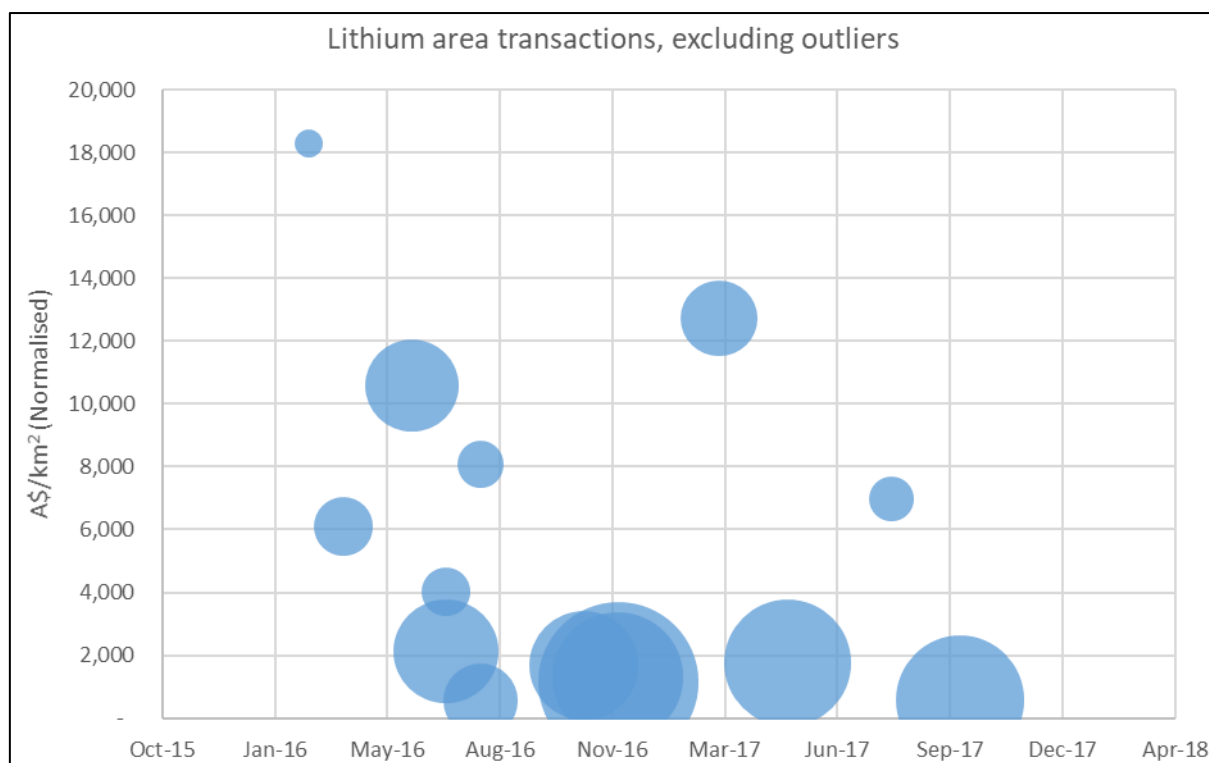


Figure 24: Lithium area transactions, excluding outliers

Note: Bubble size proportional to comparative area of projects

From analysing transactions of projects within the 100 km<sup>2</sup> to 500 km<sup>2</sup> size range (Table 5), CSA Global conclude that appropriate valuation factors for Estrella's lithium exploration ground interests are a low factor of A\$2,000/km<sup>2</sup>, a high factor of A\$13,000/km<sup>2</sup>, and a preferred valuation factor of A\$6,000/km<sup>2</sup>.

The low factor is based on (and rounded from) the minimum range when outliers are excluded, and the high factor is based on (and rounded from) the maximum range when outliers are excluded. The preferred factor is based on the measures of centrality (mean, median and weighted average) for this group, the average of which rounds to A\$6,000/km<sup>2</sup>.

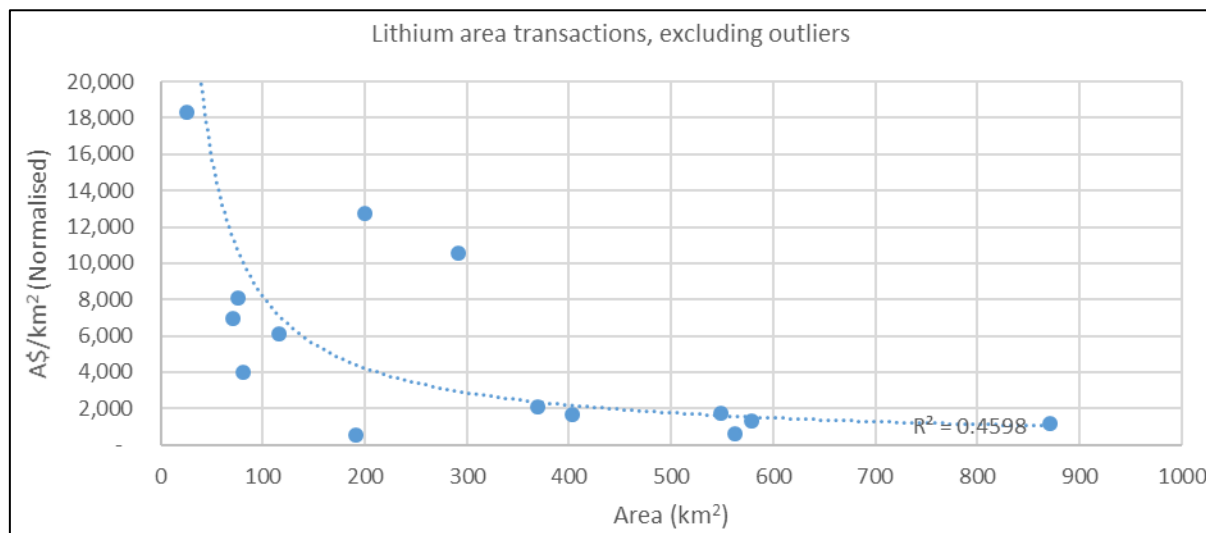


Figure 25: Lithium area transactions – relationship of area to price

#### 4.4.2 Exploration Areas Nickel

CSA Global considered 13 transactions involving exploration tenements prospective for nickel in WA, that were announced post-December 2015. These transactions are summarised and analysed in [Appendix 2](#). These transactions include the recent transaction involving the Mt Edwards, Munda and Carr Boyd tenements (purchased by an unnamed private buyer from Salt Lake Mining), and the recent purchase of the nickel rights on the Spargoville and Munda tenements by Estrella. Nickel merger and acquisition activity has experienced a slow-down in recent years. Transactions considered were comparable to Estrellas' original purchase of the nickel rights in the WEMP, as well as the recent announcement regarding intention to purchase the Carr Boyd Nickel project, in terms of exploration activity and geoscience knowledge, proximity to significant third-party projects with mineral resources or mining operations.

The transactions were analysed in terms of implied A\$/km<sup>2</sup> of tenure acquired. This was then normalised to the nickel price of A\$16,410/t, being the LME-nickel cash spot price on 1 January 2018. Some of the analyses carried out by CSA Global are summarised in Table 6 and illustrated in Figure 26 to Figure 30.

Like the recent Estrella purchase of the lithium rights to Mt Edwards and Munga, the Estrella purchase of the nickel rights to Spargoville and Munga represents the highest implied value per square kilometre of the considered transactions. CSA Global considers this acquisition to have been highly strategic in nature, as it consolidated Estrella's ownership of rights to all metals on M15/87. As the transaction was carried out at the company level (the asset acquired was the company WA Nickel Pty Ltd, which held the remaining 75% of lithium rights), the transaction would have included a control premium.

Table 6: Summary statistics of Nickel Exploration Area Land comparable transactions

	All transactions		100km <sup>2</sup> to 1,000km <sup>2</sup>		<100km <sup>2</sup>		<100km <sup>2</sup> , excluding Estrella	
	Implied (A\$/km <sup>2</sup> )	Normalised (A\$/km <sup>2</sup> )	Implied (A\$/km <sup>2</sup> )	Normalised	Implied (A\$/km <sup>2</sup> )	Normalised (A\$/km <sup>2</sup> )	Implied (A\$/km <sup>2</sup> )	Normalised (A\$/km <sup>2</sup> )
Count	13	13	7	7	4	4	3	3
Minimum	545	619	545	619	2,536	3,051	2,536	3,051
Maximum	27,624	34,649	9,215	10,840	27,624	34,649	12,045	13,727
Mean	6,695	8,180	3,391	4,146	12,611	15,455	7,607	9,057
Median	3,544	4,853	2,815	3,597	10,142	12,059	8,239	10,392
Weighted average	3,867	4,710	3,658	4,505	10,132	12,498	6,245	7,577

The analysis shows that there is a relationship between area of the projects and the price of acquisition (Figure 28 to Figure 30), in that smaller projects areas appear to attract a higher purchase price on an area basis. This is likely because smaller project areas tend to be more focused.

In recognition of this apparent relationship between project areal extent and acquisition price, CSA Global has focussed on transactions involving projects in the 100 km<sup>2</sup> to 1,000 km<sup>2</sup> size range and the <100 km<sup>2</sup> size ranges, as Estrella's nickel exploration ground in the WEMP currently covers an area of approximately 31 km<sup>2</sup>, and the Carr Boyd ground holding is approximately 235 km<sup>2</sup>.

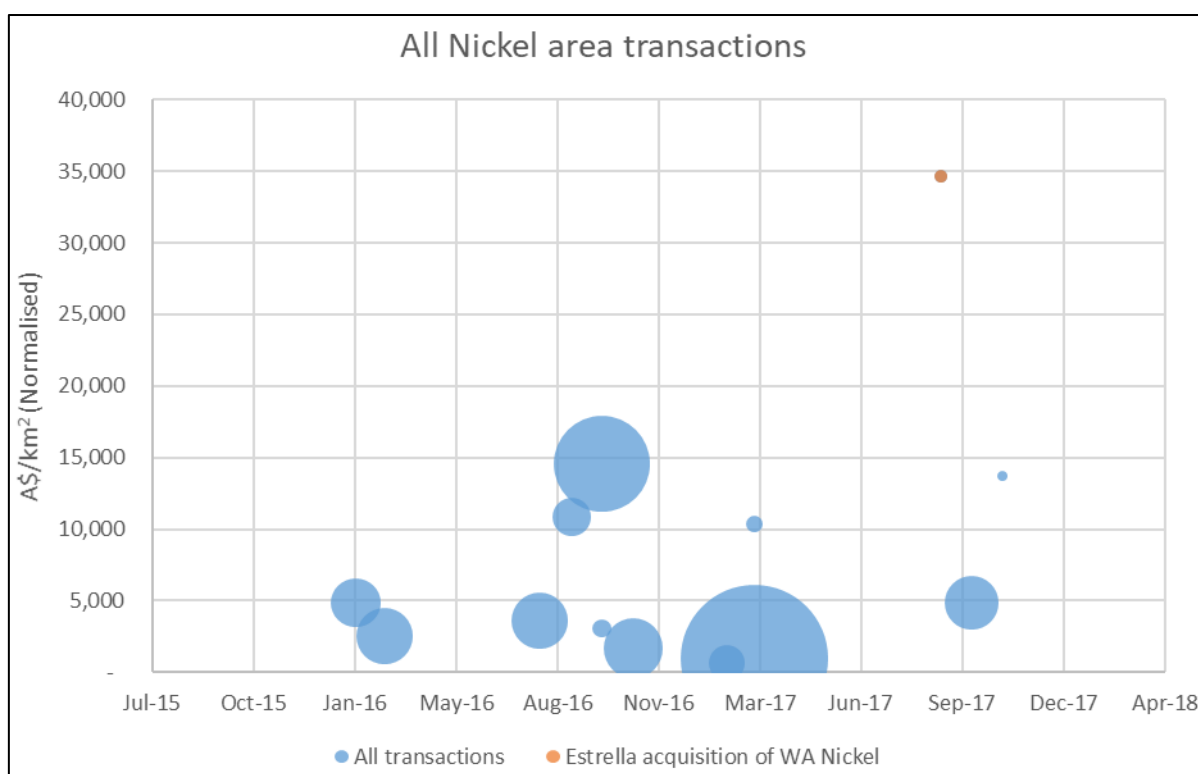


Figure 26: All nickel area transactions

Note: Bubble size proportional to comparative area of projects



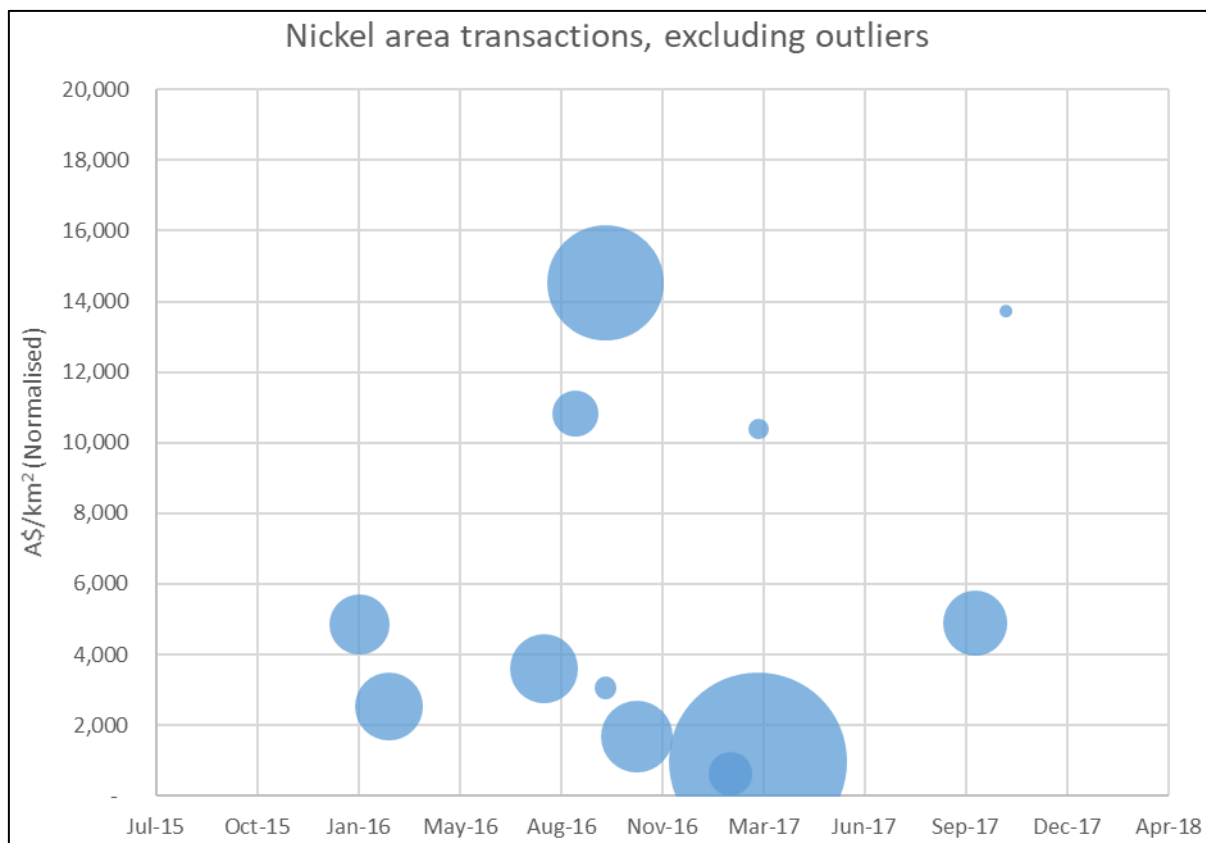


Figure 27: Nickel area transactions, excluding outliers  
Note: Bubble size proportional to comparative area of projects

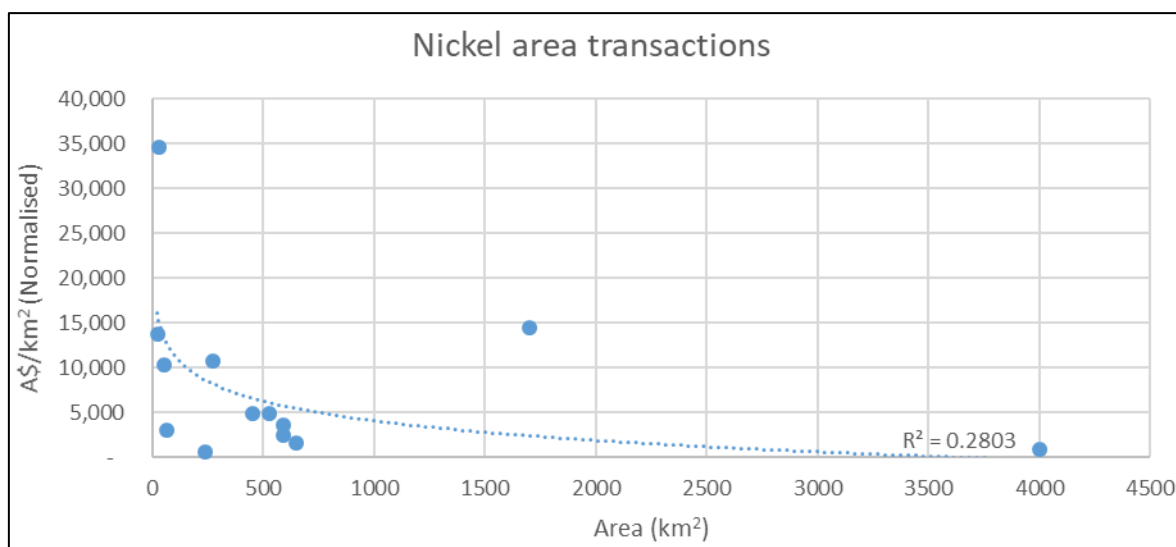


Figure 28: Nickel area transactions – relationship of area to price

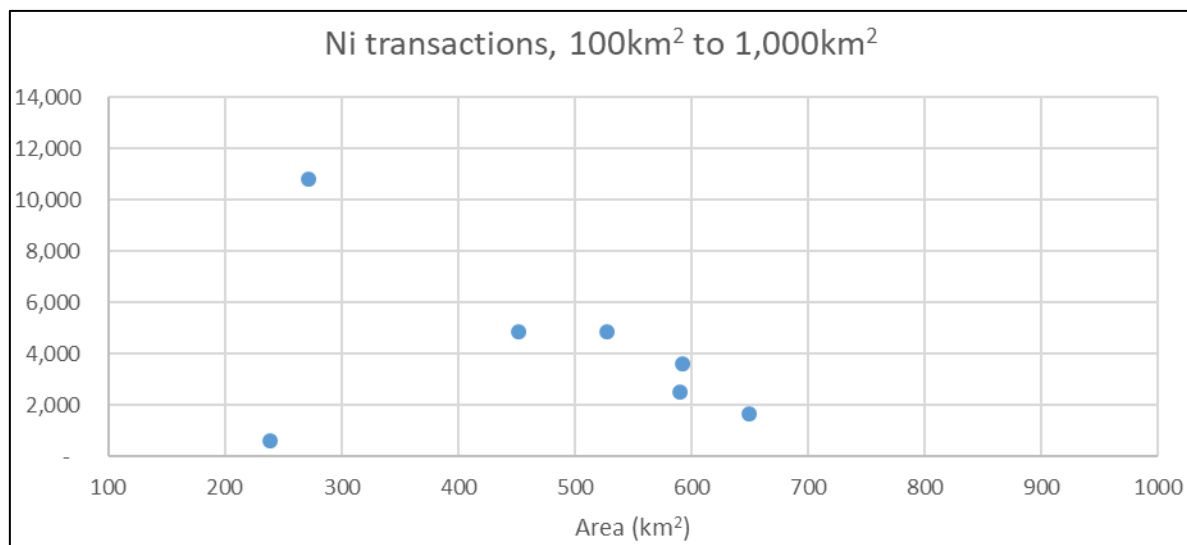


Figure 29: Nickel area transactions, 100 km² to 1,000 km²

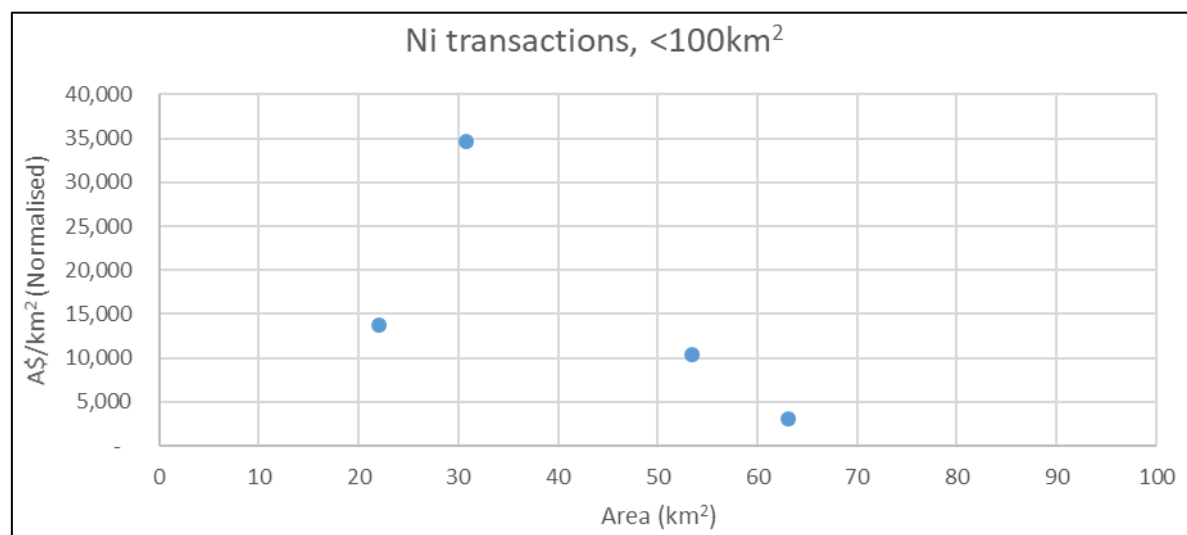


Figure 30: Nickel area transactions, <100 km²

From analysing transactions of projects within the 100 km² to 1,000 km² size range (Table 6), CSA Global conclude that appropriate valuation factors for the Carr Boyd exploration ground interests are a low factor of A\$1,000/km², a high factor of A\$11,000/km², and a preferred valuation factor of A\$4,000/km².

The low factor is and rounded from the minimum range, and the high factor is based on (and rounded from) the maximum range. The preferred factor is based on the measures of centrality (mean, median and weighted average) for this group, the average of which rounds to A\$4,000/km².

From analysing transactions of projects with areas less than 100 km² (Table 6), CSA Global conclude that appropriate valuation factors for the Estrella's nickel interests in the WEMP exploration ground are a low factor of A\$3,000/km², a high factor of A\$14,000/km², and a preferred valuation factor of A\$10,000/km².

The low factor is based on (and rounded from) the minimum range, and the high factor is based on (and rounded from) the maximum range when outliers are excluded. The preferred factor is based on (and rounded from) the median when outliers are excluded, which is supported by the mean.

#### 4.4.3 Nickel Resources

CSA Global considered three transactions involving early stage nickel Mineral Resources in WA, that were announced post-December 2015. These transactions are summarised and analysed in [Appendix 2](#). Advanced projects, including those in production or development and those with current feasibility studies, were excluded as not being comparable. CSA Global notes that the transaction set considered is small, but the implied range and statistics are in line with recent studies of larger datasets (covering a longer period) carried out by CSA Global, and we therefore consider the results to be reasonable.

The transactions were analysed in terms of implied A\$/t of nickel in declared Mineral Resource acquired. This was then normalised to the nickel price of A\$16,410/t, being the LME-nickel cash spot price on 1 January 2018. Some of the analyses carried out by CSA Global are summarised in Table 7 and illustrated in Figure 31.

Table 7: Summary statistics of Nickel Resource comparative transactions

	Implied (A\$/t Ni)	Normalised (A\$/t Ni)
Count	3	3
Minimum	12.41	17.00
Maximum	31.90	36.50
Mean	21.76	26.64
Median	20.95	26.43
Weighted average	19.55	24.22

From analysing transactions (Table 7), CSA Global conclude that appropriate valuation factors for Estrella's nickel Mineral Resource interests are a low factor of A\$17/t, a high factor of A\$36/t, and a preferred valuation factor of A\$24/t.

The low factor is based on the minimum range, and the high factor is based on (and rounded from) the maximum range. The preferred factor is based on (and rounded from) the weighted average.

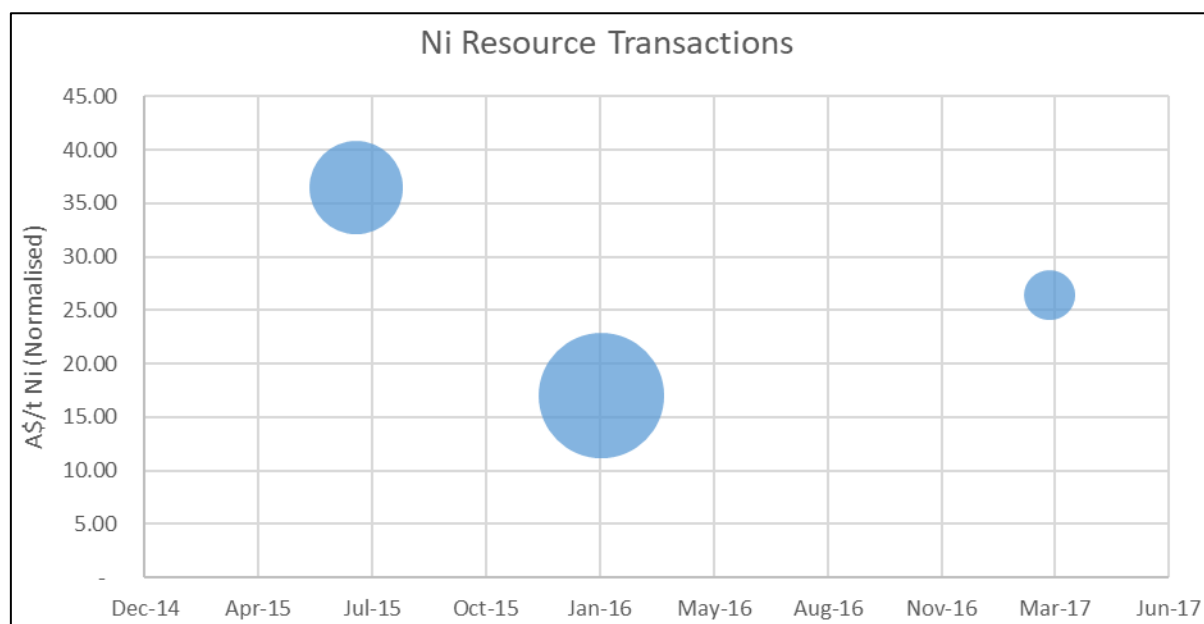


Figure 31: Nickel resource transactions

Note: Bubble size proportional to contained nickel in declared Mineral Resource

#### 4.4.4 Gold Resources

CSA Global considered six transactions involving early stage gold Mineral Resources of less than 100,000 oz in WA, that were announced post-December 2015. These transactions are summarised and analysed in [Appendix 2](#). Advanced projects, including those in production or development and those with current feasibility studies, were excluded as not being comparable. CSA Global notes that the transaction set considered is small, but the implied range and statistics are in line with recent studies of larger datasets (covering a longer period) carried out by CSA Global, and we therefore consider the results to be reasonable.

The transactions were analysed in terms of implied A\$/oz of Au in declared Mineral Resource acquired. This was then normalised to the gold price of A\$1,713/oz, being the Gold Bullion LBM spot price for 1 January 2018. Some of the analyses carried out by CSA Global are summarised in Table 8 and illustrated in Figure 32.

Table 8: Summary statistics of Gold Resource comparative transactions

	Implied (A\$/oz Au)	Normalised (A\$/oz Au)
Count	6	6
Minimum	5.71	6.01
Maximum	54.67	51.97
Mean	27.19	27.69
Median	28.42	30.31
Weighted average	27.88	28.19

From analysing transactions (Table 8), CSA Global conclude that appropriate valuation factors for Estrella's nickel Mineral Resource interests are a low factor of A\$6/oz, a high factor of A\$50/oz, and a preferred valuation factor of A\$30/oz.

The low factor is based on the minimum range, and the high factor is based on (and rounded from) the maximum range. The preferred factor is based on (and rounded from) the median.

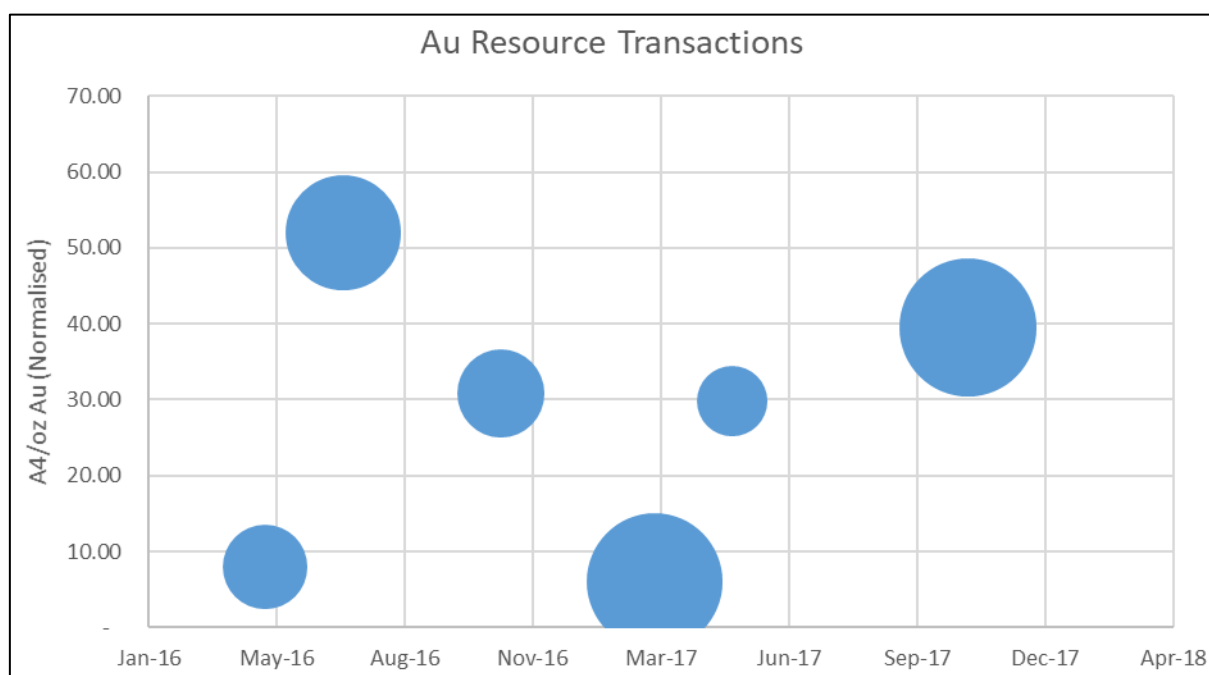


Figure 32: Gold resource transactions (projects <100,000 oz)

Note: Bubble size proportional to contained gold in declared Mineral Resource

## 4.5 Geoscience Factor Method

The Geoscientific Factor method is essentially a technique to define a Value based upon geological prospectivity. The method appraises a variety of mineral property characteristics:

- Location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies
- Location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralisation known to exist on the property being valued
- Number and relative position of anomalies on the property being valued
- Geological models appropriate to the property being valued.

The Geoscientific Factor method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors (Table 22 in [Appendix 1](#)).

The first and key aspect of the Geoscientific Factor method described by Kilburn (1990) is the derivation of the Base Acquisition Cost (BAC) that is the basis for the valuation. The BAC represents the average cost to identify, apply for and retain a base unit of area of tenement.

A BAC for Western Australian mining licences has been estimated using the following data:

- Based on the Government of WA's DMP tenement database as of December 2017 and the West Australian mining code, it is determined that the average age of exploration licences in WA is 20 years; the average size of these licences is approximately 467 ha (4.67 km<sup>2</sup>)
- An average cost to identify an area of interest of A\$10,000 was chosen, as well as A\$20,000 for the cost of landowner notices, negotiations, legal costs and compensation
- An application fee of A\$476/licence is payable
- The holding cost includes a rental of A\$1,760/km<sup>2</sup> per annum
- Western Australian mining law includes a minimum annual expenditure requirement of A\$10,000/lease.

Altogether, this gives a BAC for a Western Australian mining licence of A\$10,855/km<sup>2</sup>, as shown in Table 9.

Table 9: Estimation of the BAC for Western Australian mining leases

Statistic	Unit	Value
Average lease size	km <sup>2</sup>	4.67
Average lease age	years	20
Application fee	A\$ per lease	476
Annual rent	A\$ per km <sup>2</sup>	1,760
Minimal annual expenditure	A\$ per lease	10,000
Deemed cost of identification of a lease	A\$ per lease	10,000
Costs of landowner notices, negotiations, legal costs and compensation	A\$ per lease	20,000
Annual costs of local government rates	A\$ per lease	2,000
BAC of average lease	A\$ per km <sup>2</sup>	10,855

A BAC for Western Australian exploration licences has been estimated using the following data:

- Based on the Government of WA's DMP tenement database as of December 2017 and the West Australian mining code, it is determined that the average age of exploration licences in WA is four years; the average size of these licences is approximately 72.6 km<sup>2</sup>
- An average cost to identify an area of interest of A\$10,000 was chosen, as well as A\$20,000 for the cost of landowner notices, negotiations, legal costs and compensation
- An application fee of A\$1,362/licence is payable

- The holding cost includes a rental of A\$44.7/km<sup>2</sup> per annum for the initial three years and A\$69.3/km<sup>2</sup> for the fourth year
- Western Australian mining law includes a minimum annual expenditure requirement of A\$333.33/km<sup>2</sup> for the initial three years and A\$500/km<sup>2</sup> for the fourth year.

Altogether, this gives a BAC for a Western Australian exploration licence of A\$1,675/km<sup>2</sup>, as shown in Table 10.

Table 10: Estimation of the BAC for Western Australian exploration licences

Statistic	Unit	Value
Average licence size	km <sup>2</sup>	72.6
Average licence age	years	4
Application fee	A\$ per licence	1,362
Annual rent year 1-3	A\$ per km <sup>2</sup>	44.7
Annual rent year 4	A\$ per km <sup>2</sup>	69.3
Minimal annual expenditure Year 1-3	A\$ per km <sup>2</sup>	333.33
Minimal annual expenditure Year 4	A\$ per km <sup>2</sup>	500
Deemed cost of identification of a licence	A\$ per licence	10,000
Costs of landowner notices, negotiations, legal costs and compensation	A\$ per licence	20,000
Annual costs of local government rates	A\$ per licence	2,000
BAC of average licence	A\$ per km <sup>2</sup>	1,675

A BAC for Western Australian prospecting licences has been estimated using the following data:

- Based on the Government of WA's DMP tenement database as of December 2017 and the West Australian mining code, it is determined that the average age of prospecting licences in WA is 3.3 years; the average size of these licences is approximately 126 ha (1.26 km<sup>2</sup>)
- An average cost to identify an area of interest of A\$10,000 was chosen, as well as A\$20,000 for the cost of landowner notices, negotiations, legal costs and compensation
- An application fee of A\$323/licence is payable
- The holding cost includes a rental of A\$2.60/ha (A\$260/km<sup>2</sup>) per annum
- Western Australian mining law includes a minimum annual expenditure requirement of A\$40/ha (A\$4,000/km<sup>2</sup>).

Altogether, this gives a BAC for a Western Australian prospecting licence of A\$119.50/ha (A\$11,950/km<sup>2</sup>), as shown in Table 11.

Table 11: Estimation of the BAC for Western Australian prospecting licences

Statistic	Unit	Value
Average licence size	ha	126
Average licence age	years	3.3
Application fee	A\$ per licence	323
Annual rent	A\$ per ha	2.6
Minimal annual expenditure	A\$ per ha	40
Deemed cost of identification of a licence	A\$ per licence	10,000
Costs of landowner notices, negotiations, legal costs and compensation	A\$ per licence	20,000
Annual costs of local government rates	A\$ per licence	500
BAC of average licence	A\$ per ha	119.5
	A\$ per km <sup>2</sup>	11,950



## 4.6 Market Valuation of the WEMP

CSA Global consider the WEMP to be a combination of early stage exploration for lithium, and advanced exploration for nickel and gold. The project valuation is based entirely on its exploration potential.

### 4.6.1 Comparable Transactions– Area

CSA Global considered the value of the WEMP in terms of the valuation factors derived from CSA Global's analysis of comparative market transactions (Sections 4.4.1 and 4.4.2). The valuation factors applied to the lithium tenement area (185.5 km<sup>2</sup>) ranged from A\$2,000/km<sup>2</sup> to A\$13,000/km<sup>2</sup> with a preferred value of A\$6,000/km<sup>2</sup>. The valuation factors applied to the nickel tenement area (27.1 km<sup>2</sup>) and the gold, lithium and nickel tenement area (3.6 km<sup>2</sup>) ranged from A\$3,000/km<sup>2</sup> to A\$14,000/km<sup>2</sup> with a preferred value of A\$10,000/km<sup>2</sup>. A summary of the tenement area comparative transactions valuation is presented in Table 12.

Table 12: Summary of Transactions Area-based valuation of WEMP

	Licences	Area (km <sup>2</sup> )	Estrella interest	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Lithium	E15/1505, E15/1507, E15/1562, M15/74, M15/75, M15/96, M15/97, M15/99, M15/100, M15/101, M15/102, M15/653, M15/698, M15/699, M15/1271	185.5	75%	0.28	1.81	0.83
Nickel	E15/967, E15/968, M15/395, M15/703, M15/1828, P15/5860	27.1	100%	0.08	0.38	0.27
Au, Li, Ni	M15/87	3.6	100%	0.01	0.05	0.04
<b>Total</b>		<b>216.3</b>		<b>0.37</b>	<b>2.24</b>	<b>1.14</b>

Note: The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

### 4.6.2 Geoscience Factor Valuation – WEMP

CSA Global used the Geoscience Factor method as a reasonableness check on the WEMP valuation that was completed using comparable transactions.

The BAC used was A\$10,855/km<sup>2</sup> for Mining Leases, A\$1,675/km<sup>2</sup> for Exploration Licences, and A\$11,950/km<sup>2</sup> for Prospecting Leases, as discussed in Section 4.5.

CSA Global considered the various factors indicated in Table 22 in assessing the Technical Value of each of the tenements. The ratings for the WEMP are indicated in Table 23 ([Appendix 3](#)).

A Market Factor of 50% was applied based on CSA Global's professional judgement with reference to the valuation factors identified, (see Table 23 in [Appendix 3](#)), to derive a Fair Market Value from the Technical Value. The 0.5 market factor applied to the geoscientific valuation method derived average values for the tenement package of approximately A\$10,400/km<sup>2</sup> (100% basis) and A\$12,900/km<sup>2</sup> for the lithium and nickel tenements respectively. The values derived are relatively consistent with those of the comparative market transactions valuation method (see Sections 4.4.1 and 4.4.2).

A summary of the secondary valuation method, based on Geoscience Factors, is presented in Table 13.

Table 13: Summary of Geoscience Factor valuation of WEMP tenements

	Licences	Area (km <sup>2</sup> )	Estrella interest	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Lithium	E15/1505, E15/1507, E15/1562, M15/74, M15/75, M15/96, M15/97, M15/99, M15/100, M15/101, M15/102, M15/653, M15/698, M15/699, M15/1271	185.5	75%	1.01	1.88	1.44
Nickel	E15/967, E15/968, M15/395, M15/703, M15/1828, P15/5860	27.1	100%	0.24	0.45	0.35
Au, Li, Ni	M15/87	3.6	100%	0.25	0.46	0.36
<b>Total</b>		<b>216.3</b>		<b>1.50</b>	<b>2.79</b>	<b>2.15</b>

Note: The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

The preferred value was derived by applying the rating factors to the BAC for each tenement (see Table 23 in [Appendix 3](#)). CSA Global has derived in its professional judgement a suitable valuation range around the preferred value by applying  $\pm 30\%$  to the preferred value.

#### 4.6.3 Comparable Transactions – Resources

CSA Global considered the value of M15/87 in terms of the valuation factors derived from CSA Global's analysis of comparative market transactions in Sections 4.4.3 and 4.4.4. The valuation factors applied to the gold Mineral Resource (46,330 oz of gold) ranged from A\$6/oz to A\$50/oz with a preferred value of A\$30/oz. The valuation factors applied to the nickel Mineral Resource (5,664 t of nickel) ranged from A\$17/t to A\$36/t with a preferred value of A\$24/t. A summary of the Mineral Resource comparative transactions valuation for M15/87 is presented in Table 14.

Table 14: Valuation based on Resource Transactions

Commodity	Contained metal	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Gold	46,330 oz	0.28	2.32	1.40
Nickel	5,664 t	0.10	0.20	0.14
		<b>0.37</b>	<b>2.52</b>	<b>1.53</b>

Note: The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

#### 4.6.4 Yardstick Order of Magnitude Check

CSA Global used the Yardstick method as an order of magnitude check on the valuation of M15/87 completed using comparable transactions. The Yardstick order of magnitude check is simplistic (e.g. it is very generalised and does not address project specific value drivers but takes an "industry-wide" view). It provides a non-corroborative valuation check on the primary comparative transactions valuation method, allowing CSA Global to assess the reasonableness of the derived comparative transactions valuation and whether there are any potential issues with their preferred primary valuation method.

For the Yardstick order of magnitude check, CSA Global used the following commodity spot prices:

- Nickel price of A\$16,410/t, being the LME-nickel cash spot price on 1 January 2018
- Gold price of A\$1,713/oz, being the Gold Bullion LBM spot price for 1 January 2018.

In addition, CSA Global utilised the following commonly used yardstick factors:

- Inferred Mineral Resources: 0.5% to 1% of spot price
- Indicated Mineral Resources: 1% to 2% of spot price
- Measured Mineral Resources: 2% to 5% of spot price.

The nickel and gold spot prices for 1 January 2018 were used as the basic spot prices for the Yardstick order of magnitude check so that the results could be compared to the comparative Transactions, which were normalised to these spot prices.

A summary of the comparative order of magnitude check, which are based on Yardstick Factors, is presented in Table 15.

Table 15: Yardstick order of magnitude check

Commodity	Contained metal	Resource classification	Low value (A\$M)	High value (A\$M)	Preferred value (A\$M)
Gold	46.330 oz	Inferred	0.40	0.79	0.50
Nickel	5,664 t	Inferred	0.46	0.93	0.70
			<b>0.86</b>	<b>1.72</b>	<b>1.29</b>

Note: The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

CSA Global notes that the Yardstick order of magnitude check range for the gold deposit falls within the valuation range derived from the Comparative Transactions valuation, and views this as broadly supportive of the Comparative Transactions valuation. The Yardstick order of magnitude check range for the gold deposit is higher than the range derived from the comparable transactions, but is nevertheless of the same order of magnitude, i.e. hundreds of thousands, as opposed to tens of thousands, or millions. CSA Global therefore view this order of magnitude as reasonable.

#### 4.6.5 Summary Market Valuation – WEMP

CSA Global consider that the value of Estrella's interest in the WEMP tenements lies within the range shown in Table 16.

Table 16: Opinion on Market Value of Estrella's interest in the WEMP as at 22 January 2018

Project	Tenements	Area (km <sup>2</sup> )	Resource	Method	Low value (A\$M)	High value (A\$M)	Preferred value (A\$M)
WEMP lithium licences <sup>#</sup>	E15/1505, E15/1507, E15/1562, M15/74, M15/75, M15/96, M15/97, M15/99, M15/100, M15/101, M15/102, M15/653, M15/698, M15/699, M15/1271	185.5	-	Area Transactions, Kilburn	0.5	1.8	1.2
WEMP nickel licences	E15/967, E15/968, M15/395, M15/703, M15/1828, P15/5860	27.1	-	Area Transactions, Kilburn	0.1	0.4	0.3
WEMP Munda licence	M15/87	3.6	46,330 oz Au 5,664 t Ni	Resource Transactions, Yardstick, Kilburn, Area Transactions	0.9	2.0	1.4
<b>WEMP – Total</b>					<b>1.5</b>	<b>4.2</b>	<b>2.9</b>

Note: The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

For the WEMP lithium licences (Figure 33), the high end of the range A1.8 million is consistent with the values derived by the comparative transactions and Geoscientific Factor (Kilburn) methods A\$1.81 million and A\$1.88 million respectively. CSA Global selected a low value of A\$0.5 million, influenced by the comparative transactions value of A\$0.28 million. The preferred value of A\$1.2 million is the approximate mid-point between the two valuation methods.

For the WEMP nickel licences (Figure 34), the high end of the range A\$0.4 million is the approximate mid-point of the values derived by the comparative transactions and Geoscience Factor methods A\$0.38 million and A\$0.45 million respectively. CSA Global selected a low value of \$0.1 million, influenced by the comparative transactions value of A\$0.08 million. The preferred value of A\$0.3 million is the approximate mid-point between the two valuation methods.

For M15/87 (Figure 35), CSA Global's high end of its value range (A\$2.0 million) is the approximate mid-point between the comparative transactions and Yardstick valuations. The lower end of CSA Global's value range (A\$0.9 million) has been influenced primarily by the Yardstick valuation method, which falls in the greater comparative transactions value range. CSA Global considers the lower bound to be reasonable considering the presence of both a gold resource and a nickel resource within the individual tenement, and to acknowledge the exploration potential of the tenement. CSA Global's preferred value (A\$1.4 million) is the mid-point between the comparative transactions and Yardstick valuations method values being A\$1.53 million and A\$1.29 million respectively.

Both the area-based transactions valuation and the Geoscience Factor (Kilburn) valuation were disregarded, as they do not account for the presence of the current Mineral Resources on this M15/87.

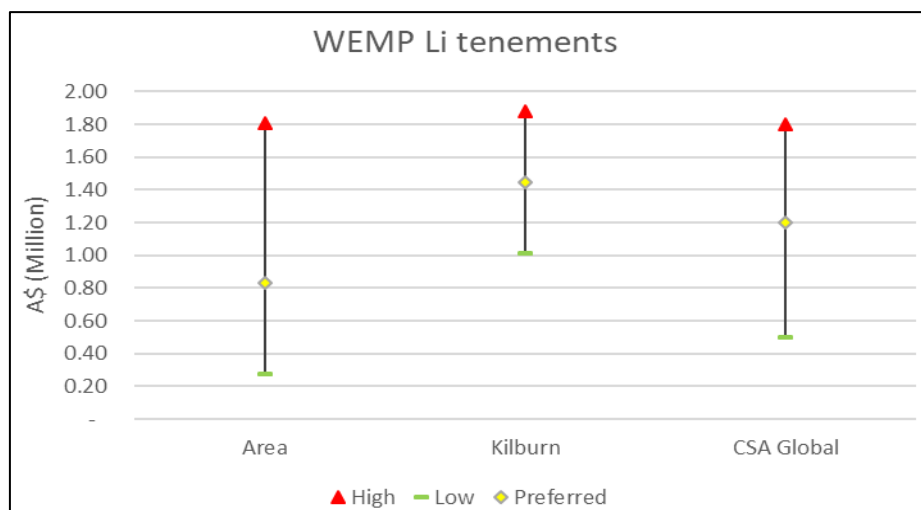


Figure 33: Summary of valuation of WEMP lithium tenements

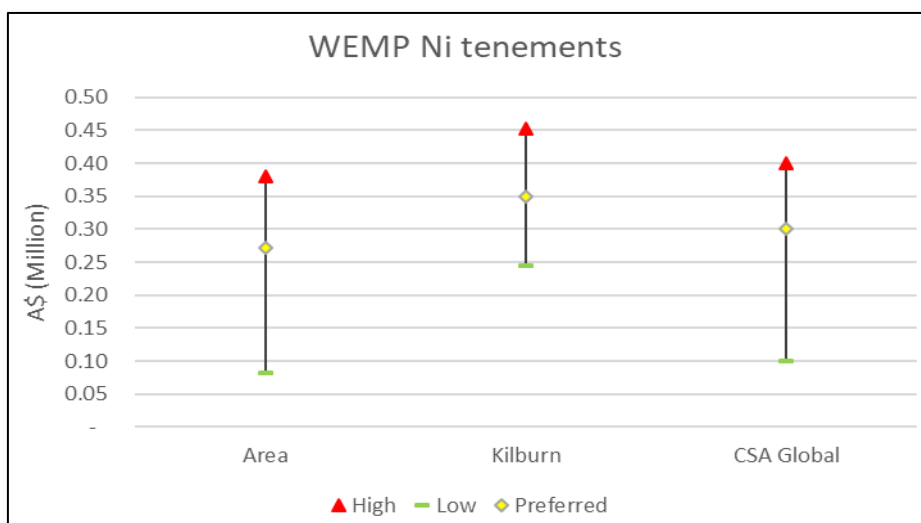


Figure 34: Summary of valuation of WEMP nickel tenements

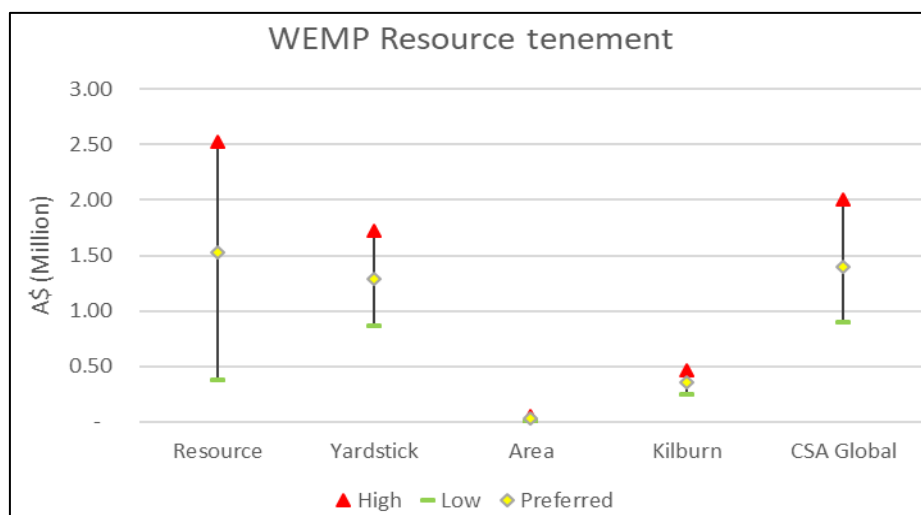


Figure 35: Summary of valuation of WEMP resource tenement (M15/87)

## 4.7 Market Valuation of the Carr Boyd Nickel Project

CSA Global has taken the view that existing known mineralisation at Carr Boyd is a proof of concept of the fertility of the CBC nickel-copper system, and hence looks at the project in the context of an advanced exploration status. It does not represent a resource for purpose of valuation as it is yet to be demonstrated whether it has "...such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction.". Further work is required to ascertain whether this mineralisation would meet the definition of a Mineral Resource that could be disclosed in compliance with the JORC Code and using reasonable updated long-term forecasts for commodity markets.

CSA Global has elected to value the Carr Boyd Nickel Project on the potential of the exploration tenure. CSA Global considers the exploration tenure to be an Exploration Area Mineral Asset. To value the Carr Boyd Project exploration tenure, CSA Global has considered the comparable transactions method and Geoscience Factor method.

### 4.7.1 Comparable Market Transactions – Carr Boyd Tenements

CSA Global considered the value of the Carr Boyd tenements in terms of the valuation factors derived from CSA Global's analysis of comparative market transactions (Section 4.4.2). The valuation factors applied to the nickel tenement area (235.2 km<sup>2</sup>) ranged from A\$1,000/km<sup>2</sup> to A\$11,000/km<sup>2</sup> with a preferred value of A\$4,000/km<sup>2</sup>. A summary of the tenement area comparative transactions valuation is presented in Table 17.

Table 17: Summary of Transactions Area-based valuation of Carr Boyd tenements

	Licences	Area (km <sup>2</sup> )	Estrella interest	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Nickel	E29/982, E29,1012, E31/726, E31/1124, E31/1162, M31/12, M31/109, M31/159	235.2	100%	0.24	2.59	0.94

Note: The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

### 4.7.2 Geoscience Factor Valuation – Carr Boyd

CSA Global used the Geoscience Factor method as a reasonableness check on the Carr Boyd tenement valuation that was completed using comparable transactions.

The BAC used was A\$10,855/km<sup>2</sup> for Mining Leases and A\$1,675/km<sup>2</sup> for Exploration Licences, as discussed in Section 4.5.

CSA Global considered the various factors indicated in Table 22 in assessing the Technical Value of each of the tenements. The ratings for the Carr Boyd Project are indicated in Table 24 in [Appendix 3](#).

A Market Factor of 50% was applied based on CSA Global's professional judgement with reference to the valuation factors identified (see Table 24 in [Appendix 3](#)), to derive a Fair Market Value from the Technical Value. The 0.5 market factor applied to the geoscientific valuation method derived average values for the tenement package of approximately A\$9,375/km<sup>2</sup>. The values derived are relatively consistent with those of the comparative market transactions valuation method (see Sections 4.4.1 and 4.4.2).

A summary of the secondary valuation method, based on Geoscience Factors, is presented in Table 18.

*Table 18: Summary of Geoscience Factor valuation of Carr Boyd tenements*

	Licences	Area (km <sup>2</sup> )	Estrella interest	Low (A\$M)	High (A\$M)	Preferred (A\$M)
Nickel	E29/982, E29,1012, E31/726, E31/1124, E31/1162, M31/12, M31/109, M31/159	235.2	100%	1.54	2.87	2.21

*Note: The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.*

The preferred value was derived by applying the rating factors to the BAC for each tenement. CSA Global has derived in its professional judgement a suitable valuation range around the preferred value by applying  $\pm 30\%$  to the preferred value.

#### 4.7.3 Summary Market Valuation – Carr Boyd Nickel Project

CSA Global consider that the value of Apollo's interest in the Carr Boyd tenements lies within the range shown in Table 19.

*Table 19: Opinion on Market Value of Apollo's interest in the Carr Boyd tenements as at 22 January 2018*

Project	Tenements	Area (km <sup>2</sup> )	Method	Low value (A\$M)	High value (A\$M)	Preferred value (A\$M)
Carr Boyd licenses	E29/982, E29,1012, E31/726, E31/1124, E31/1162, M31/12, M31/109, M31/159	235.2	Area Transactions, Kilburn	0.5	2.7	1.5

CSA Global selected its high end of the value range and preferred values, A\$2.7 million and A\$1.5 million respectively, by taking the approximate mid-point between the comparative area transactions and the Geoscientific Factor (Kilburn) valuation methods (Figure 36). The lower end of the value range (A\$0.5 million) was influenced by the comparative area transactions, being a better indicator of market value.



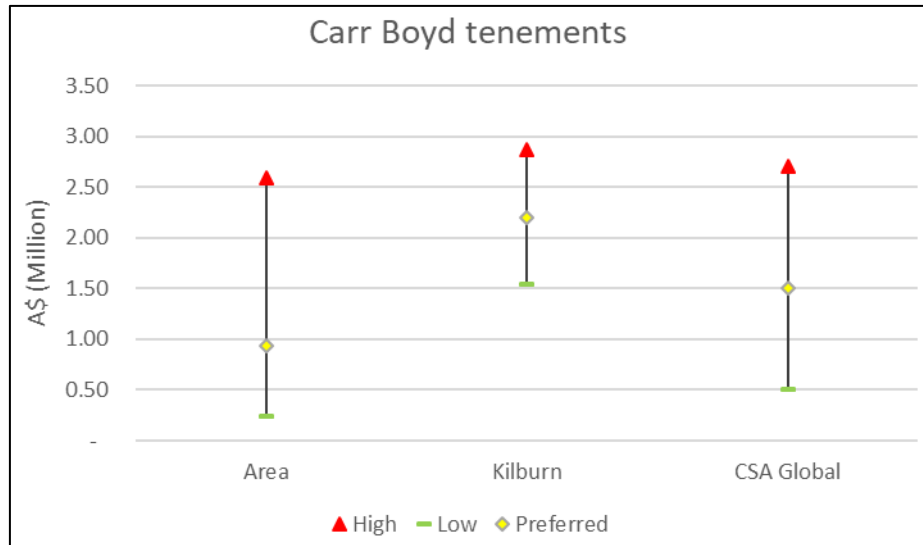


Figure 36: Summary of valuation of Carr Boyd tenements

## 5 Conclusions

In CSA Global's professional judgement, both Estrella's WEMP and Apollo's Carr Boyd Nickel Project retain exploration potential, which forms a reasonable basis for the valuation of the projects.

CSA Global's opinion on the Market Value of Estrella's WEMP, as at 22 January 2018, is that it lies within a range of **A\$1.5 million to A\$4.2 million with a preferred value of A\$2.9 million.**

CSA Global's opinion on the Market Value of Apollo's Carr Boyd Nickel Project, as at 22 January 2018, is that it lies within a range of **A\$0.5 million to A\$2.7 million with a preferred value of A\$1.5 million.**

## 6 References

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## 7 Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Wikipedia [www.wikipedia.org](http://www.wikipedia.org)

**Cu** is an abbreviation for the element copper.

**HPMLTEM** is an abbreviation for High Powered Moving Loop Time-domain Electromagnetic, a surface electromagnetic geophysical survey technique.

**JV** is an abbreviation for Joint Venture

**Ni** is an abbreviation for the element nickel.

**PGE** is an abbreviation for Platinum Group Elements, commonly referring to Platinum + Palladium.

**WAMEX** is the Western Australian Department of Mines and Petroleum Online Mineral Exploration Reports database.

*The following entries are taken from the VALMIN Code*

**Annual Report** means a document published by public corporations on a yearly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

**Australasian** means Australia, New Zealand, Papua New Guinea and their off-shore territories.

**Code of Ethics** means the Code of Ethics of the relevant Professional Organisation or Recognised Professional Organisations.

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

**Experts** are persons defined in the Corporations Act whose profession or reputation gives authority to a statement made by him or her in relation to a matter. A Practitioner may be an Expert. Also see Clause 2.1.

**Exploration Results** is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

**Feasibility Study** means a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Prefeasibility Study.

**Financial Reporting Standards** means Australian statements of generally accepted accounting practice in the relevant jurisdiction in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act.

**Information Memoranda** means documents used in financing of projects detailing the project and financing arrangements.

**Investment Value** means the benefit of an asset to the owner or prospective owner for individual investment or operational objectives.

**Life-of-Mine Plan** means a design and costing study of an existing or proposed mining operation where all Modifying Factors have been considered in sufficient detail to demonstrate at the time of reporting that extraction is reasonably justified. Such a study should be inclusive of all

development and mining activities proposed through to the effective closure of the existing or proposed mining operation.

**Member** means a person who has been accepted and entitled to the post-nominals associated with the AIG or the AusIMM or both. Alternatively, it may be a person who is a member of a Recognised Professional Organisation included in a list promulgated from time to time.

**Mineable** means those parts of the mineralised body, both economic and uneconomic, that are extracted or to be extracted during the normal course of mining.

**Mine Design** means a framework of mining components and processes taking into account mining methods, access to the Mineralisation, personnel, material handling, ventilation, water, power and other technical requirements spanning commissioning, operation and closure so that mine planning can be undertaken.

**Mine Planning** includes production planning, scheduling and economic studies within the Mine Design taking into account geological structures and mineralisation, associated infrastructure and constraints, and other relevant aspects that span commissioning, operation and closure.

**Mineral** means any naturally occurring material found in or on the Earth's crust that is either useful to or has a value placed on it by humankind, or both. This excludes hydrocarbons, which are classified as Petroleum.

**Mineralisation** means any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis or composition.

**Mineral Project** means any exploration, development or production activity, including a royalty or similar interest in these activities, in respect of Minerals.

**Mineral Securities** means those Securities issued by a body corporate or an unincorporated body whose business includes exploration, development or extraction and processing of Minerals.

**Mineral Resources** is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

**Mining** means all activities related to extraction of Minerals by any method (eg quarries, open cast, open cut, solution mining, dredging etc).

**Mining Industry** means the business of exploring for, extracting, processing and marketing Minerals.

**Modifying Factors** is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

**Ore Reserves** is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

**Panel** (capitalised P) is a term used to describe a unit of volume (or area) within a resource model that comprises a multiple of *selective mining units* (SMUs).

**Petroleum** means any naturally occurring hydrocarbon in a gaseous or liquid state, including coal-based methane, tar sands and oil-shale.

**Petroleum Resource** and **Petroleum Reserve** are defined in the current version of the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers. Refer to <http://www.spe.org> for further information.

**Preliminary Feasibility Study (Prefeasibility Study)** means a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in

the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors that are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

**Professional Organisation** means a self-regulating body, such as one of engineers or geoscientists or of both, that:

- (a) admits members primarily on the basis of their academic qualifications and professional experience;
- (b) requires compliance with professional standards of expertise and behaviour according to a Code of Ethics established by the organisation; and
- (c) has enforceable disciplinary powers, including that of suspension or expulsion of a member, should its Code of Ethics be breached.

**Public Presentation** means the process of presenting a topic or project to a public audience. It may include, but not be limited to, a demonstration, lecture or speech meant to inform, persuade or build good will.

**Quarterly Report** means a document published by public corporations on a quarterly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

**Royalty or Royalty Interest** means the amount of benefit accruing to the royalty owner from the royalty share of production.

**Scoping Study** means an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.

**Selective Mining Unit (SMU)** is a defined volume within a mineral resource estimate block model that is the smallest volume which is likely to be individually defined (selected) as ore / waste at the time of mining.

**Status** in relation to Tenure means an assessment of the security of title to the Tenure.

**Vendor Consideration Opinion** means a Public Report involving a Valuation and expressing an opinion on the fairness of the consideration paid or benefit given to a vendor, promoter or provider of seed capital.

**Code Principles** means the fundamental principles of the VALMIN Code, which are Competence, Materiality and Transparency.

**Commissioning Entity** is the organisation, company or person that commissions a Public Report.

**Competence** or being **Competent** requires that the Public Report is based on work that is the responsibility of suitably qualified and experienced persons who are subject to an enforceable professional Code of Ethics. Also see Clause 3.2 for guidance on Competence.

**Effective Date** means the date upon which the Technical Assessment or Valuation is considered to take effect. This may be different from the Valuation Date or the date upon which an event (such as preparation, transaction or site visit) actually occurred or is recorded.

**Independence** or being **Independent** requires that there is no present or contingent interest in the Assets, nor is there any association with the Commissioning Entity or related parties that is likely to lead to bias. Also see Clause 0 for guidance on Independence.

**Independent Expert Report** means a Public Report as may be required by the Corporations Act, the Listing Rules of the ASX or other security exchanges prepared by a Practitioner who is acknowledged as being independent of the Commissioning Entity. Also see ASIC Regulatory Guides RG 111



and RG 112 as well as Clause 5.5 of the VALMIN Code for guidance on Independent Expert Reports.

**Market Value** means the estimated amount of money (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 wherein the parties each acted knowledgeably, prudently and without compulsion. Also see Clause 8.1 for guidance on Market Value.

**Materiality** or being **Material** requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. Where relevant information is not supplied, an explanation must be provided to justify its exclusion. Also see Clause 3.2 for guidance on what is Material.

**Mineral Asset** means all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

Most Mineral Assets can be classified as either:

- (a) **Early-stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified;
- (b) **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category;
- (c) **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken;
- (d) **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Prefeasibility Study;
- (e) **Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants – that have been commissioned and are in production.

**Practitioner** is an Expert as defined in the Corporations Act, who prepares a Public Report on a Technical Assessment or Valuation Report for Mineral Assets. This collective term includes Specialists and Securities Experts. Also see Clause 2 for guidance on Practitioners.

**Production Target** means a projection or forecast of the amount of Minerals to be extracted from particular Tenure for a period that extends past the current year and the forthcoming year.

**Public Report** means a report prepared for the purpose of informing investors or potential investors and their advisers when making investment decisions, or to satisfy regulatory requirements. It includes, but is not limited to, Annual Reports, Quarterly Reports, press releases, Information Memoranda, Technical Assessment Reports, Valuation Reports, Independent

Expert Reports, website postings and Public Presentations. Also see Clause 5 for guidance on Public Reports.

**Reasonableness** implies that an assessment which is impartial, rational, realistic and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation. Also see Clause 4.1 for guidance on Reasonableness and Reasonableness Test.

**Reasonable Grounds Requirement** has the meaning referred to in sections of the Corporations Act and sections of the Australian Securities and Investments Commission Act 2001 that require statements about future matters to be based on reasonable grounds (as of the date of making the statement) or else they will be taken to be misleading.

**Reasonableness Test** is defined in clause 4.1(b).

**Recognised Professional Organisation** means any professional organisation listed on the VALMIN website as a Recognised Professional Organisation (refer to [www.valmin.org/competent.asp](http://www.valmin.org/competent.asp))

**Representative Specialists** are persons who are the nominated representative(s) of a legally constituted body, and who supervise the preparation of a Public Report and accept responsibility for it on behalf of that body. Representative Specialists are Specialists.

**Securities** has the meaning as defined in the Corporations Act.

**Securities Expert** are persons whose profession, reputation or experience provides them with the authority to assess or value Securities in compliance with the requirements of the Corporations Act, ASIC Regulatory Guides and ASX Listing Rules.

**Specialist** are persons whose profession, reputation or relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value Mineral Assets.

**Specialist Report** is defined in Clause 5.5.

**Technical Assessment** is an evaluation prepared by a Specialist of the technical aspects of a Mineral Asset. Depending on the development status of the Mineral Asset, a Technical Assessment may include the review of geology, mining methods, metallurgical processes and recoveries, provision of infrastructure and environmental aspects.

**Technical Assessment Report** involves the Technical Assessment of elements that may affect the economic benefit of a Mineral Asset.

**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.

**Tenure** is any form of title, right, licence, permit or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract agreed minerals that may be (or is known to be) contained. Tenure can include third-party ownership of the Minerals (for example, a royalty stream). Tenure and Title have the same connotation as Tenement.

**Transparency** or being **Transparent** requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information that is known to the Practitioner.

**Valuation** is the process of determining the monetary Value of a Mineral Asset at a set Valuation Date.

**Valuation Approach** means a grouping of valuation methods for which there is a common underlying rationale or basis.

**Valuation Date** means the reference date on which the monetary amount of a Valuation in real (dollars of the day) terms is current. This date could be different from the dates of finalisation of the Public

Report or the cut-off date of available data. The Valuation Date and date of finalisation of the Public Report **must** not be more than 12 months apart.

**Valuation Methods** means a subset of Valuation Approaches and may represent variations on a common rationale or basis.

**Valuation Report** expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related Securities.

**Value** means the Market Value of a Mineral Asset. See definition of Market Value.

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## 8 Abbreviations and Units of Measurement

A\$	Australian dollars
AIG	Australian Institute of Geoscientists
Amalg	Amalg Resources NL
ANM	Australian Nickel Mines NL
Apollo	Apollo Phoenix Resources Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AusIMM	Australasian Institute of Mining and Metallurgy
BAC	base acquisition cost
BD	below detection
BDO	BDO Corporate Finance (WA) Pty Ltd
BRW	Breakaway Resources Limited
C\$	Canadian dollars
Carr Boyd	Carr Boyd Nickel Pty Ltd
CBC	Carr Boyd intrusive multi-ultramafic intrusive Complex
CSA Global	CSA Global Pty Ltd
DHEM	downhole electromagnetics
DMP	Department of Mines and Petroleum
EM	electromagnetic
Estrella	Estrella Resources Limited
ha	hectares
IER	Independent Experts' Report
IP	Induced Polarisation
JV	joint venture
km	kilometres
km <sup>2</sup>	square kilometres
koz	thousands of ounces
kt/a	thousands of tonnes a year, kt/yr
m	metres
M	millions
MEE	Multiple of Exploration Expenditure
Moz	million ounces
Mt/a	million tonnes per annum
NPV	net present value

NSR	net smelter royalty
oz	ounces
PAL	pressure acid leach
PEA	Preliminary Economic Assessment
PEM	Prospectivity Enhancement Multiplier
QAQC	quality assurance and quality control (for sampling and assaying)
QKNA	quantitative kriging neighbourhood analysis, studies to validate Mineral Resource estimation
RAB	rotary air blast
RC	reverse circulation
RCP	reverse circulation percussion
SLM	Salt Lake Minerals Ltd
Spargoville	Spargoville Nickel Pty Ltd
US\$	US dollars
WA	Western Australia
WEMP	Widgiemooltha Energy Metals Project
WMC	Western Mining Corporation

# Appendix 1: Valuation Approaches

## Background

Mineral Assets are defined in the VALMIN Code as all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

Business valuers typically define market value as “The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious buyer, and a knowledgeable, willing but not anxious seller acting at arm’s length.” The accounting criterion for a market valuation is that it is an assessment of “fair value”, which is defined in the accounting standards as “the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction.” The VALMIN Code defines the value of a Mineral Asset as its Market Value, which 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”.

Market Value usually consists of two components, the underlying or Technical Value, and a premium or discount relating to market, strategic or other considerations. The VALMIN Code recommends that a preferred or most-likely value be selected as the most likely figure within a range after taking into account those factors which might impact on Value.

The concept of Market Value hinges upon the notion of an asset changing hands in an arm’s length transaction. Market Value must therefore take into account, inter alia, market considerations, which can only be determined by reference to “comparable transactions”. Generally, truly comparable transactions for Mineral Assets are difficult to identify due to the infrequency of transactions involving producing assets and/or Mineral Resources, the great diversity of mineral exploration properties, the stage to which their evaluation has progressed, perceptions of prospectivity, tenement types, the commodity involved and so on.

For exploration tenements, the notion of value is very often based on considerations unrelated to the amount of cash which might change hands in the event of an outright sale, and in fact, for the majority of tenements being valued, there is unlikely to be any “cash equivalent of some other consideration”. Whilst acknowledging these limitations, CSA Global has identified what it considers to be comparable transactions that have been used in assessing the values to be attributed to the Mineral Assets.

## Valuation Methods for Exploration Projects

The choice of valuation methodology applied to Mineral Assets, including exploration licences, will depend on the amount of data available and the reliability of that data.

The VALMIN Code classifies Mineral Assets into categories that represent a spectrum from areas in which mineralisation may or may not have been found through to Operating Mines which have well-defined Ore Reserves, as listed below:

- **“Early-stage Exploration Projects”** – tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **“Advanced Exploration Projects”** – tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate



may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.

- **“Pre-Development Projects”** – tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made.
- **“Development Projects”** – tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Prefeasibility Study.
- **“Production Projects”** – tenure holdings – particularly mines, wellfields and processing plants - that have been commissioned and are in production.

Each of these different categories will require different valuation methodologies, but regardless of the technique employed, consideration must be given to the perceived “market valuation”.

The Market Value of Exploration Properties and Undeveloped Mineral Resources can be determined by four general approaches: Cost; Market; Geoscience Factor or Income.

### Cost

*Appraised Value or Exploration Expenditure Method* considers the costs and results of historical exploration.

The Appraised Value Method utilises a Multiple of Exploration Expenditure (MEE), which involves the allocation of a premium or discount to past expenditure through the use of the Prospectivity Enhancement Multiplier (PEM). This involves a factor which is directly related to the success (or failure) of the exploration completed to date, during the life of the current tenements.

Guidelines for the selection of a PEM factor have been proposed by several authors in the field of mineral asset valuation (Onley, 1994). Table 20 lists the PEM factors and criteria used in this Report.

Table 20: Prospectivity Enhancement Multiplier (PEM) factors

PEM range	Criteria
0.2-0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5-1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0-1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3-1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical activities)
1.5-2.0	Scout drilling (RAB, air-core, RCP) has identified interesting intersections of mineralisation
2.0-2.5	Detailed drilling has defined targets with potential economic interest
2.5-3.0	A Mineral Resource has been estimated at Inferred JORC category, no concept or scoping study has been completed
3.0-4.0	Indicated Mineral Resources have been estimated that are likely to form the basis of a Prefeasibility Study
4.0-5.0	Indicated and Measured Resources have been estimated and economic parameters are available for assessment

### Market

Market Approach Method or Comparable Transactions looks at prior transactions for the property and recent arm's length transactions for comparable properties.

The Comparable Transaction method provides a useful guide where a mineral asset that is comparable in location and commodity has in the recent past been the subject of an “arm’s length” transaction, for either cash or shares.

In an exploration JV or farm-in, an equity interest in a tenement or group of tenements is usually earned in exchange for spending on exploration, rather than a simple cash payment to the tenement holder. The JV or farm-in terms, of themselves, do not represent the Value of the tenements concerned. To determine a Value, the expenditure commitments should be discounted for time and the probability that the commitment will be met. Whilst some practitioners invoke complex assessments of the likelihood that commitments will be met, these are difficult to justify at the outset of a JV, and it seems more reasonable to assume a 50:50 chance that a JV agreement will run its term. Therefore, in analysing JV terms, a 50% discount may be applied to future committed exploration, which is then “grossed up” according to the interest to be earned to derive an estimate of the Value of the tenements at the time that the agreement was entered into.

Where a progressively increasing interest is to be earned in stages, it is likely that a commitment to the second or subsequent stages of expenditure will be so heavily contingent upon the results achieved during the earlier phases of exploration that assigning a probability to the subsequent stages proceeding will in most cases be meaningless. A commitment to a minimum level of expenditure before an incoming party can withdraw must reflect that party’s perception of minimum value and should not be discounted. Similarly, any upfront cash payments should not be discounted.

The terms of a sale or JV agreement should reflect the agreed value of the tenements at the time, irrespective of transactions or historical exploration expenditure prior to that date. Hence the current Value of a tenement or tenements will be the Value implied from the terms of the most recent transaction involving it/them, plus any change in Value as a result of subsequent exploration. Where the tenements comprise applications over previously open ground, little to no exploration work has been completed and they are not subject to any dealings, it is thought reasonable to assume that they have minimal, if any Value, except perhaps, the cost to apply for, and therefore secure a prior right to the ground, unless of course there is competition for the ground and it was keenly sought after. Such tenements are unlikely to have any Value until some exploration has been completed, or a deal has been struck to sell or JV them, implying that a market for them exists.

High quality Mineral Assets are likely to trade at a premium over the general market. On the other hand, exploration tenements that have no defined attributes apart from interesting geology or a “good address” may well trade at a discount to the general market. Market Values for exploration tenements may also be impacted by the size of the landholding, with a large, consolidated holding in an area with good exploration potential attracting a premium due to its appeal to large companies.

### *Geoscience Factors*

*Geoscience Factor Method* (GFM) seeks to rank and weight geological aspects, including proximity to mines, deposits and the significance of the camp and the commodity sought.

The Geoscience Factor (or Kilburn) method, as described by Kilburn (1990), provides an approach for the technical valuation of the exploration potential of mineral properties, on which there are no defined resources.

Valuation is based upon a calculation in which the geological prospectivity, commodity markets, and mineral property markets are assessed independently. The GFM is essentially a technique to define a Value based upon geological prospectivity.

The method appraises a variety of mineral property characteristics:

- Location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies
- Location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralisation known to exist on the property being valued
- Number and relative position of anomalies on the property being valued
- Geological models appropriate to the property being valued.

The GFM systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors (Table 22).

The BAC is an important input to the GFM and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environmental etc.) and statutory expenditure for a period of 12 months. Each factor is then multiplied serially by the BAC to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

The standard references on the method (Kilburn 1990, Goulevitch and Eupene 1994) do not provide much detail on how the market factor should be ascertained. CSA Global takes the approach of using the implied value range from our selected Comparable Transactions to inform the selection of a GFM market factor. Our presumption is that the comparables are capturing the market sentiment, so any other valuation method should not be significantly different (order of magnitude).

This is achieved by finding the market factor that produces an average GFM preferred value per unit area for whole project (i.e. total preferred GFM value divided by the total area) that falls within the range of the comparables implied values per unit area. It is CSA Global's view that this adequately accounts for global market factors on an empirical basis. For example, if the implied value range is \$100/km<sup>2</sup> to \$2,000/km<sup>2</sup>, then the market factor should give an average GFM preferred value per unit area that falls within that range.

CSA Global generally would select a market factor (rounded to an appropriate number of significant digits) that gives a value closer to the upper end of the range (though this is the valuer's judgement call). This is because the GFM is a tool that addresses the exploration potential of a project and is best suited to informing the upper end of valuation ranges for a project.

Goulevitch and Eupene (1994) discuss the derivation of BAC. The BAC represents the average cost to identify, apply for and retain a base unit of area of tenement.

### *Yardstick*

*The Rule-of-Thumb (Yardstick) Method* is relevant to exploration properties where some data on tonnage and grade exist may be valued by methods that employ the concept of an arbitrarily ascribed current in situ net value to any Ore Reserves (or Mineral Resources) outlined within the tenement (Lawrence 2001, 2012).

Rules-of-Thumb (Yardstick) Methods are commonly used where a Mineral Resource remains in the Inferred category and available technical/economic information is limited. This approach ascribes a heavily discounted in situ value to the Resources, based upon a subjective estimate of the future profit or net value (say per tonne of ore) to derive a rule-of-thumb.

This Yardstick multiplier factor applied to the Resources delineated (depending upon category) varies depending on the commodity. Typically, a range from 0.4% to 3% is used for base metals and PGM, whereas for gold and diamonds a range of 2% to 4.5% is used. The method estimates the in situ gross metal content value of the mineralisation delineated (using the spot metal price and appropriate metal equivalents for polymetallic mineralisation as at the valuation date).

The chosen percentage is based upon the valuer's risk assessment of the assigned JORC Code's Mineral Resource category, the commodity's likely extraction and treatment costs, availability/proximity of transport and other infrastructure (particularly a suitable processing facility), physiography and maturity of the mineral field, as well as the depth of the potential mining operation.

### *Income*

*The Income Approach* is relevant to exploration properties on which undeveloped Mineral Resources have been identified by drilling. Value can be derived with a reasonable degree of confidence by forecasting the cash flows that would accrue from mining the deposit, discounting to the present day and determining a NPV.

The Income Approach is not appropriate for properties without Mineral Resources.

### *Valuation Approaches by Asset Stage*

Regardless of the technical application of various valuation methods and guidelines, the valuer should strive to adequately reflect the carefully considered risks and potentials of the various projects in the valuation ranges and the preferred values, with the overriding objective of determining the "fair market value".

Table 21 below shows the valuation approaches that are generally considered appropriate to apply to each type of mineral property.

*Table 21: Valuation approaches for different types of mineral properties (VALMIN, 2015)*

Valuation approach	Exploration properties	Mineral Resource properties	Development properties	Production properties
Income	No	In some cases	Yes	Yes
Market	Yes	Yes	Yes	Yes
Cost	Yes	In some cases	No	No

Table 22: Geoscientific Factor Ranking

Rating	Address/Off-property factor	On-property factor	Anomaly factor	Geological factor
0.5	Very little chance of mineralisation; Concept unsuitable to the environment	Very little chance of mineralisation; Concept unsuitable to the environment	Extensive previous exploration with poor results	Generally unfavourable lithology; No alteration of interest
1	Exploration model support; Indications of prospectivity; Concept validated	Exploration model support; Indications of Prospectivity; Concept validated	Extensive previous exploration with encouraging results; Regional targets	Deep cover; Generally favourable lithology/alteration (70%)
1.5	Recon (RAB/air-core) drilling with some scattered favourable results; Minor workings	Exploratory sampling with encouragement	Several early stage targets outlined from geochemistry and geophysics	Shallow cover; Generally favourable lithology/alteration 50-60%
2	Several old workings; Significant RCP drilling leading to advanced project	Several old workings; Recon drilling or RCP drilling with encouraging intersections	Several well-defined targets supported by recon drilling data	Exposed favourable; Lithology/alteration
2.5	Abundant workings; Grid drilling with encouraging results on adjacent sections	Abundant workings; Core drilling after RCP with encouragement	Several well-defined targets with encouraging drilling results	Strongly favourable lithology, alteration
3	Mineral Resource areas defined	Advanced Res Def. drilling (early stages)	Several significant sub-economic targets; No indication of 'size'	Generally favourable lithology with structures along strike of a major mine; Very prospective geology
3.5	Abundant Workings/mines with significant historical production; Adjacent to known mineralisation at PFS stage	Abundant workings/mines with significant historical production; Mineral Resource areas defined	Several significant sub-economic targets; Potential for significant 'size'; Early stage drilling	
4	Along strike or adjacent to Resources at DFS stage	Adjacent to known mineralisation at PFS stage	Marginally economic targets of significant 'size' advanced drilling	
4.5	Adjacent to development stage project	Along strike or adjacent to Resources at DFS stage	Marginal economic targets of significant 'size' with well drilled Inferred Resources	
5	Along strike from operating major mine(s)	Adjacent to development stage project	Several significant ore grade co-relatable intersections	

## Appendix 2: Comparable Transactions

### Lithium Area Transactions

Transaction	Project	Date announced	Li price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area	Implied \$/km <sup>2</sup>	Normalised	Comments
Liontown acquisition of Kathleen Valley	Kathleen Valley	Aug-16	15,213	Liontown Resources Ltd	Ramelius Resources Limited	100%	In August 2016, Liontown announced an agreement to acquire 100% of the rare mineral rights (including lithium, tantalum and associated elements) for the Kathleen Valley Project from Ramelius. Consideration was 25 million Liontown shares, and an agreement to pay Ramelius 1% of gross sales of resulting concentrate produced from pegmatite-hosted ores processed and A\$0.50/t of rare metal pegmatite-hosted ore mined and milled. Ramelius will retain exclusive gold rights and uninhibited access for gold-mining related activities.	The Kathleen Valley Project consisted of 15 granted mining leases and one exploration licence application, covering a total area of 75 km <sup>2</sup> . The property contains a spodumene-bearing pegmatite swarm and includes several walk-up drill targets.	Target Outline	75	6,000	8,078	Covers "rare metals" rights only. Exclude gold and base metals rights. Tenure held in name of Ramelius.
Tawana acquisition of Lake Cowan	Lake Cowan	Oct-17	20,479	Tawana Resources NL	Metalicity Limited	100%	In October 2017, Tawana announced the acquisition of the Lake Cowan lithium project from Metalicity for A\$50,000 and 769,230 Tawana shares.	The Lake Cowan Project comprises two approved exploration licences and one application. The licences border to the south of Tawana's 100% owned Cowan lithium project and 50% owned Bald Hill lithium and tantalum project.	Target outline	563	581	581	Tawana considers the acquisition to be highly strategic as the Mt Belches-Bald Hill pegmatite belt may extend into the tenements.

Transaction	Project	Date announced	Li price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area	Implied \$/km <sup>2</sup>	Normalised	Comments
Macarthur acquisition of Pilbara tenements	Marble Bar, Pippingarra	May-17	16,591	Macarthur Minerals Ltd, Southern Hemisphere Mining Ltd	Great Sandy Pty Ltd	100%	In May 2017, Macarthur announced a conditional agreement, in partnership with Southern Hemisphere, to acquire the Marble Bar and Pippingarra projects from Great Sandy. In August 2017, Macarthur announced that following due diligence, the partners decided not to acquire these projects.	The Marble Bar lithium project consists of four granted exploration licences covering 368 km <sup>2</sup> , and the Pippingarra lithium tantalite project consists of two exploration licence applications covering 181 km <sup>2</sup> . Pegmatites with spodumene and lepidolite have been identified on the Marble Bar tenements.	Exploration	549	1,421	1,754	Terminated prior to completion.
Estrella acquisition of Mt Edwards	Mt Edwards	Nov-16	15,420	Estrella Resources Limited	Undisclosed sellers	75%	In September 2016, Estrella announced the acquisition of Mt Edwards Lithium Pty Ltd, which held a 75% of the lithium (and associated minerals) rights to a group of 17 licences. Consideration was 106 million Estrella shares to be issued to the vendors, with an additional facilitator transaction fee of 13,333,333 shares to the facilitator.	The project consists of a 75% interest in the rights to lithium and associated minerals over 17 tenements covering 129 km <sup>2</sup> . Numerous outcropping pegmatites have been identified, with grab sampling confirming lithium mineralisation in some pegmatites.	Target outline	129	46,870	62,260	All-scrip transaction
Tawana acquisition of Cowan	Cowan, Yallari	Mar-17	16,081	Tawana Resources NL	Undisclosed sellers	100%	In March 2017, Tawana announced that it would exercise its option to acquire a 100% interest in four tenements, comprising the Cowan and Yallari projects, and would pay A\$2 million in either cash or shares to the unnamed vendors.	The Cowan Project comprises three tenements totalling 159km <sup>2</sup> , adjacent to the Tawana's Bald Hill Mine. It contains a large number of LCT pegmatites, some of which contain spodumene. The Yallari	Target outline	200.2	9,990	12,725	Strategic acquisition of ground adjacent to Tawana's Bald Hill Mine, which Tawana was developing at the time.



Transaction	Project	Date announced	Li price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area	Implied \$/km <sup>2</sup>	Normalised	Comments
								project consists of one licence application covering 41.2 km <sup>2</sup> . It contains numerous pegmatites, with no exploration for lithium having been conducted.					
Lithium Australia consolidation of Greenbushes	Greenbushes	Nov-16	15,420	Lithium Australia NL	Undisclosed seller	20%	In November 2016, Lithium Australia acquired the remaining 20% interest in the Greenbushes Project by paying A\$50,000 and 283,039 shares.	The Greenbushes Project comprises four granted exploration licences covering 403.18 km <sup>2</sup> , adjacent to the Talison-owned Greenbushes lithium pegmatite mine.	Exploration	403.18	1,252	1,663	Strategic acquisition - consolidating ownership.
Segue earn-in to Mortimer Hills	Mortimer Hills	Apr-16	12,856	Segue Resources Ltd	Zeus Resources Limited	35%	In April 2016, Segue announced a JV with Zeus Resources, whereby Segue could earn in to a 50% interest in granted exploration licence E09/1618. Segue agreed to an initial exploration expenditure of A\$30,000 prior to 15 May 2016, with the ability to earn an initial 35% interest through exploration expenditure of a further A\$125,000 within 12 months. A further 15% interest could then be earned by spending a further A\$125,000 within 12 months.	E09/1618 covers an area of approximately 115.5 km <sup>2</sup> and contains both the Mortimer Hills and Camel Hill pegmatite fields.	Exploration	115.5	3,834	6,109	
Lepidico acquisition of Moriarty	Moriarty	Aug-17	19,566	Lepidico Ltd	Maximus Resources Limited	75%	In August 2017, Lepidico announced an agreement whereby it could earn a 75% interest in the	The Moriarty project covers 70 km <sup>2</sup> of lithium prospective ground, including the Lefroy,	Target Outline	70	6,667	6,979	

Transaction	Project	Date announced	Li price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area	Implied \$/km <sup>2</sup>	Normalised	Comments
							Moriarty Lithium Project, by paying Maximus A\$80,000 in Lepidico shares on execution of the Term Sheet, A\$120,000 in cash or shares six months after execution, and A\$150,000 in cash or shares 12 months after execution.	Landor and Larkinvile lithium prospects.					
Sayona acquisition of Pilbara lithium portfolio	Mallina, Dorringtons, White Springs, Mt Edgar	Dec-16	16,208	Sayona Mining Limited	Great Sandy Pty Ltd	80%	In December 2016, Sayona announced an option to acquire an 80% interest in a Pilbara lithium portfolio from Great Sandy. Consideration includes a A\$30,000 non-refundable deposit, with a 24-month option granted for payments of A\$300,000 after 12 months and A\$300,000 after 24 months, with the option to acquire the 80% at any time for A\$500,000 within the first 18 months. Sayona must incur a minimum expenditure of A\$100,000 within the first 12 months and may withdraw from the agreement at any time after meeting the A\$100,000 expenditure requirement.	The portfolio consisted of two granted and six pending licences covering a total of 871 km <sup>2</sup> . The most advanced project was the Mallina project, where spodumene-bearing lithium pegmatite had been identified in outcrop.	Target Outline	871	904	1,143	
Metalicity acquisition of FMG lithium tenements	Lynas Find, Farrell Well, Murphies Gap, Cookes Creek	Dec-16	16,208	Metalicity Limited	Fortescue Metals Group Ltd	100%	In December 2016, Metalicity announced the acquisition of a Pilbara portfolio of lithium tenements from FMG. Terms of the agreement	The portfolio consists of four individual projects, covering a total of 579 km <sup>2</sup> . The most advanced project was the Lynas Find North	Exploration	579	1,036	1,310	

Transaction	Project	Date announced	Li price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area	Implied \$/km <sup>2</sup>	Normalised	Comments
							included a A\$250,000 cash payment, 5 million fully paid ordinary shares and 5 million unlisted Options at 8c, issued to FMG on settlement. In addition, 10 million fully paid ordinary shares are to be issued to FMG upon the definition of a total JORC Inferred Resource estimate of a minimum 20 Mt @ 1% Li <sub>2</sub> O across any of the tenements.	project, covering 51 km <sup>2</sup> over the northern extension of the highly prospective Pilgangoora Greenstone Belt.					
Macarthur acquisition in Yalgoo region	Yalgoo	Aug-16	15,213	Macarthur Minerals Ltd	Undisclosed seller	100%	In August 2016, Macarthur agreed to purchase two tenements. Consideration was to be A\$30,000 upon satisfaction of conditions precedent and A\$50,000 on the first anniversary of the commencement date. Additional contingent consideration of A\$250,000 upon defining a 5 Mt JORC resource of >1.2% LiO <sub>2</sub> and A\$500,000 upon defining a 15 Mt JORC resource of >1.2%Li <sub>2</sub> O, was also agreed. In addition, the agreement called for a 2.5% NSR for lithium concentrate produced on the Yalgoo Acreage, and 50% of the Western Australian Department of Minerals and Petroleum royalty rate for other rare	The project encompassed two granted exploration licences (E59/2140 and E59/2077) covering an area of 191 km <sup>2</sup> . Previous drilling by other companies has resulted in the identification of buried pegmatites on the property.	Exploration	191	419	564	Contingent payment not considered

Transaction	Project	Date announced	Li price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area	Implied \$/km <sup>2</sup>	Normalised	Comments
							earth minerals produced on the Yalgoo Acreage.						
Cohiba acquisition of lithium portfolio	Pyramid Lake, Mt Cattlin Central, Big Galaxy, Greenbushes North, Pilgangoora Central	Jul-16	14,945	Cohiba Minerals Limited	Charge Lithium Pty Ltd	100%	In July 2016, Cohiba announced the acquisition of five lithium projects from Charge Lithium. Consideration included an upfront payment of A\$78,000 cash and a share payment of 17.5 million Cohiba shares. Further share payments totalling 17.5 million Cohiba shares would be paid as the ungranted licence applications were granted, which was expected to occur within three months. Share payments for the grant of each individual licence would be 3.5 million Cohiba shares.	The portfolio included five lithium projects, consisting of five exploration licence applications and one granted exploration licence. The granted exploration licence was for the Pyramid Lake Lithium Brine project, with the five licence applications covering four areas prospective for hard rock (pegmatite-hosted) lithium.	Target outline	368.7	1,541	2,111	
Cazaly acquisition of Widgie lithium rights	Widgiemooltha	Jul-16	14,945	Cazaly Resources Limited	Buckland Capital Pty Ltd	50%	In July 2016, Cazaly, along with Lithium Australia NL, entered into a Sale Agreement with Buckland Capital Pty Ltd for the purchase of a 100% interest in the Pegmatite minerals in Exploration Licence 15/1410 ('Widgiemooltha Project'). Cazaly and Lithium Australia NL would each hold a 50% interest in the Widgiemooltha Project. The total consideration for Cazaly's 50% interest in the Widgiemooltha Project was	The Widgiemooltha Project consists of the "Pegmatite Minerals" rights over an 81 km <sup>2</sup> area in the Goldfields region of WA, with known outcropping pegmatite mapped on the licences by the GSWA.	Exploration	81	2,920	4,002	

Transaction	Project	Date announced	Li price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area	Implied \$/km <sup>2</sup>	Normalised	Comments
							A\$7,500 cash plus the issue of 1,538,462 Shares.						
Lithium Australia consolidation of Lake Johnston	Lake Johnston	Jun-16	14,748	Lithium Australia NL	Lefroy Exploration Ltd	100%	In June 2016, Lithium Australia announced an agreement to acquire 100% of the lithium rights to two granted exploration licences from Lefroy. Consideration for the lithium rights was 9 million Lithium Australia shares, half of which would be escrowed for three months. As part of the deal, Lithium Australia granted Lefroy the nickel and gold rights to an adjoining licence held by Lithium Australia, for 3 million Lefroy shares. The parties were granted reciprocal first right of refusal for sale of the underlying tenure.	The two tenements are adjacent to Lithium Australia's 100% owned tenement, with a swarm of pegmatites identified on the tenements. Drill testing of pegmatites in the swarm just off the tenement package confirmed lithium mineralisation.	Exploration	291.59	7,624	10,589	
Kairos acquisition of Wodgina East	Wodgina East	Mar-16	13,148	Kairos Minerals Limited	Undisclosed seller	100%	In March 2016, Kairos (then MPJ) announced an agreement to acquire the Wodgina East lithium project from an undisclosed seller for 60 million shares, with 40 million shares to be issued on signing, and 20 million shares to be issued when the tenements area is granted and completion takes place. In addition, Kairos will issue 15 million shares upon delineation of a Mineral Resource of no	The project consisted of one licence application, covering an area of known pegmatite outcrop, with demonstrated lithium mineralisation from rock chip sampling. Situated adjacent to Wodgina Tantalum Mine.	Target outline	25.55	11,742	18,293	

Transaction	Project	Date announced	Li price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area	Implied \$/km <sup>2</sup>	Normalised	Comments
							less than 1.2% contained lithium within the tenement area, and a further 15 million shares upon delineation of a resource of no less than 10 Mt of lithium oxide at a minimum grade of no less than 1.2% contained lithium.						
Altura earn-in to Wodgina East	Wodgina East	Nov-16	15,420	Altura Mining Limited	Kairos Minerals Limited	75%	In November 2016, Altura announced an agreement to earn in to a 75% interest in Kairos' Wodgina East lithium project. Consideration was an upfront cash payment of A\$100,000, and exploration expenditure of A\$1.25 million over five years, or cash payment of A\$1.25 million less exploration expenditure already incurred at any time within the five years.	The project consisted of two licence applications, covering an area of known pegmatite outcrop, with demonstrated lithium mineralisation.	Target outline	73.4	24,523	32,575	

## Nickel Area Transactions

Transaction	Project	Date announced	Ni price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area (km <sup>2</sup> )	Implied \$/km <sup>2</sup>	Normalised	Comments
Draig acquisition of Liontown licences	Non-core licences	Nov-17	14,399	Draig Resources Limited	Liontown Resources Limited	100%	In November 2017, Draig announced the acquisition of seven granted mining licences from Liontown for A\$25,000 in cash and 1 million shares.	Seven granted mining licences prospective for gold and base metals, with historic gold workings. Adjacent to Cosmos Ni mine and Draig's Bellevue licences.	Exploration	22	12,045	13,727	Strategic - contiguous to existing ground-holding.
Estrella acquisition of WA Nickel	Munda, Spargoville	Sep-17	13,083	Estrella Resources	WA Nickel Pty Ltd	100%	In September 2017, Estrella announced the acquisition of WA Nickel, which held the rights to acquire 100% of the nickel and 25% of the lithium rights at the Munda Project, of which Estrella held the remaining 75% of the lithium rights. Consideration was 34 million Estrella shares, valued at A\$850,000.	The Munda Project hosts a current (JORC 2012) Inferred Mineral Resource of 511 Kt at 2.82 g/t Au, and a separate Inferred Mineral Resource of 240 kt at 2.36% Ni.	Target outline	30.77	27,624	34,649	Strategic acquisition, as it consolidates Estrella's ownership of rights to all metals on M15/87. Control premium for acquisition of company.
Capital acquisition of Scotia	Scotia	Mar-17	13,011	Capital Mining Limited	Maincoast Pty Ltd	100%	In March 2017, Capital agreed to acquire the Scotia project from Maincoast for total share consideration of 55 million shares, comprising 5 million shares for the option to acquire the project, and 50 million shares on exercising the option. Capital exercised the option in April 2017.	The Scotia nickel-cobalt project consists of a granted exploration licence.	Exploration	53.402	8,239	10,392	
Independence Orion JV	Fraser Range	Mar-17	13,011	Independence Group NL	Orion Gold NL	65%	In March 2017, Independence agreed to acquire initial 70% equity in Orion's 100%-owned	The Orion tenure is adjacent to the Independence tenure, and along	Exploration	4,000	769	970	Assume average equity acquired of 65%



Transaction	Project	Date announced	Ni price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area (km <sup>2</sup> )	Implied \$/km <sup>2</sup>	Normalised	Comments
							tenements, 60% in Creasy JV tenements and 65% in the GR JV tenement for a A\$700,000 cash payment and a A\$1.3 million share placement by Independence in Orion.	strike from the Nova deposit. It covers approximately 4,000km <sup>2</sup> .					
Independence acquisition of Windward	Fraser Range North, Fraser Range South	Oct-16	13,636	Independence Group NL	Windward Resources Limited	100%	In October 2016, Independence made an off-market takeover offer to acquire all the shares in Windward, offering A\$0.19/share.	The Windward tenure covered approximately 1,700km <sup>2</sup> in the Fraser Range region, with part of the tenure contiguous with Independence's Nova Mining Lease.	Exploration	1,700	12,077	14,534	Asset acquired was the company, including control premium.
Independence Sheffield JV	Fraser Range	Nov-16	14,615	Independence Group NL	Sheffield Resources Limited	51%	In November 2016, Independence agreed to earn up to a 75% interest in Sheffield's tenement holding in the Fraser Range area. Independence would earn an initial 51% interest by making an upfront cash payment of A\$500,000 and could earn an additional 19% interest by spending A\$5 million within five years of commencement of the JV. At any time after the commencement of the JV and up until completion of a Prefeasibility Study, Independence has an option to purchase an additional 5% interest for A\$10 million or the equivalent in shares.	The Sheffield tenure comprises four granted tenements and one tenement application in the Fraser Range area, proximal to the ground-holding of Independence.	Exploration	650	1,508	1,694	

Transaction	Project	Date announced	Ni price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area (km²)	Implied \$/km²	Normalised	Comments
Independence Buxton JV	Zanthus, Widowmaker	Aug-16	12,842	Independence Group NL	Buxton Resources Limited	90%	In August 2016, Independence announced an agreement to enter into a JV with Buxton, whereby it would acquire a 90% interest in Buxton's Zanthus and Widowmaker tenements for A\$1.5 million cash.	The Zanthus and Widowmaker tenements cover approximately 592 km² in the Fraser Range area, proximal to other tenements held by Independence.	Exploration	592	2,815	3,597	
Independence Rumble JV	Fraser Range Projects	Oct-17	14,399	Independence Group NL	Rumble Resources Ltd	70%	In October 2017, Independence announced a JV agreement whereby it could earn a 70% interest in Rumble's Fraser Range tenements by spending A\$1.5 million on exploration over three years. The agreement included a cash payment of A\$85,000 to Rumble as reimbursement for expenditure incurred, and Independence had to expend a minimum of A\$300,000 before it can withdraw from the earn-in agreement.	The tenements covered the Big Red, Thunderdome and Thunderstorm prospects.	Exploration	528	4,288	4,887	
Ram consolidation of Fraser Range	Fraser Range	Sep-16	13,950	Ram Resources Limited	Regency Mines Australasia Pty Ltd	4%	In September 2016, Ram announced the acquisition of the remaining 4% interest in its Fraser Range project from Regency. Consideration was A\$100,000 and 16,666,666 options to acquire unissued fully paid shares with an exercise price of A\$0.006/share, expiring on the 4th anniversary of their issue.	Three tenements covering approximately 271 km² in the Fraser Range region.	Exploration	271.296	9,215	10,840	Strategic - consolidated ownership of tenure.

Transaction	Project	Date announced	Ni price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area (km <sup>2</sup> )	Implied \$/km <sup>2</sup>	Normalised	Comments
Hannans acquisition of three projects	Forrestania, Lake Johnston, Queen Victoria Rocks	Mar-16	11,817	Hannans Ltd	Neometals Limited	80%	In March 2016, Hannans announced an agreement with Neometals whereby it acquired the remaining 80% interest in three projects that it already had a 20% interest in, by acquiring the Neometals subsidiary that held the 80% interest. Consideration was A\$1.862 million worth of Hannans shares. The subsidiary would hold A\$1 million in cash upon completion of the transaction, which would be transferred to Hannans.	The three projects cover a total area of approximately 590 km <sup>2</sup> .	Exploration	590.7	1,824	2,533	
Legend acquisition of Fraser Range tenements	Fraser Range	Feb-17	14,447	Legend Mining Limited	Musgrave Minerals Limited	100%	In February 2017, Legend announced the acquisition of two tenements from Musgrave in exchange for 10 million ordinary shares and 10 million unlisted options with an exercise price of A\$0.04, exercisable by 30 March 2021.	The two granted exploration licences cover a total area of 238.5 km <sup>2</sup> in the Fraser Range district and are contiguous with Legend's Rockford Project.	Exploration	238.5	545	619	
Rox acquisition of Collurabbie	Collurabbie	Oct-16	13,636	Rox Resources Limited	Falcon Minerals Limited	100%	In October 2016, Rox announced the acquisition of the Collurabbie project from Falcon for A\$25,000 cash and 7.5 million shares.	The project comprises two granted exploration licences covering 63.1 km <sup>2</sup> , located 500 km north of Kalgoorlie. It includes several drill-ready prospects identified through previous exploration.	Target outline	63.1	2,536	3,051	

Transaction	Project	Date announced	Ni price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Area (km <sup>2</sup> )	Implied \$/km <sup>2</sup>	Normalised	Comments
Salt Lake divestment of Widgiemooltha	Widgiemooltha, Carr Boyd	Feb-16	11,985	Undisclosed	Salt Lake Mining Pty Ltd	100%	In February 2016, Salt Lake Mining announced the sale of its Widgiemooltha and Carr Boyd projects to an undisclosed buyer for A\$1.6 million, plus a future contingent payment of A\$0.6 million.	The two projects covered a total area of approximately 451 km <sup>2</sup> .	Target outline	451.4	3,544	4,853	

### Nickel Resource Transactions

Transaction	Project	Date announced	Ni price	Buyer	Seller	Equity	Synopsis	Asset description	Stage	Implied	Normalised	Comment
Capital acquisition of Scotia	Scotia	Mar-17	13,011	Capital Mining Limited	Maincoast Pty Ltd	100%	In March 2017, Capital agreed to acquire the Scotia project from Maincoast for total share consideration of 55 million shares, comprising 5 million shares for the option to acquire the project, and 50 million shares on exercising the option. Capital exercised the option in April 2017.	The Scotia project included a historic Ni resource, with a JORC resource of 1.05 Mt at 2% Ni declared within weeks of the transaction.	Target outline	20.95	26.43	Historic Ni resource at time of transaction. Inferred Mineral Resource declared within weeks of transaction.
Salt Lake divestment of Widgiemooltha	Widgiemooltha	Feb-16	11,985	Undisclosed	Salt Lake Mining Pty Ltd	100%	In February 2016, Salt Lake Mining announced the sale of its Widgiemooltha and Carr Boyd projects to an undisclosed buyer for A\$1.6 million, plus a future contingent payment of A\$0.6 million.	The Widgie Townsite nickel deposit was reported as having a total resource of 8.1 Mt at 1.6% Ni for 128,900 t of contained Ni, as of 30 June 2006.	Reserves development	12.41	17.00	
Rox acquisition of Fisher East	Fisher East	Jul-15	14,343	Rox Resources Limited	Undisclosed seller	100%	In July 2015, Rox announced that it would exercise its option to acquire the Fisher East nickel tenements for A\$2.3 million.	Tenements held the Camelwood, Musket and Cannonball nickel sulphide mineral resources, with total resource of 3.6 Mt at 2% Ni.	Reserves development	31.90	36.50	

## Gold Resource Transactions

Transaction	Project	Date announced	Au price	Buyer	Seller	Equity	Synopsis	Stage	Tonnes (Mt)	Grade (g/t Au)	Contained Au (oz)	Class	% above Inferred	Implied	Normalised	Comment
Capital acquisition of Scotia	Scotia	Mar-17	1,629	Capital Mining Limited	Maincoast Pty Ltd	100%	In March 2017, Capital agreed to acquire the Scotia project from Maincoast for total share consideration of 55 million shares, comprising 5 million shares for the option to acquire the project, and 50 million shares on exercising the option. Capital exercised the option in April 2017.	Reserves development	1.1	2.1	77,000	Inferred	0	5.71	6.01	
Hanking acquisition of Parker Range	Parker Range	May-16	1,590	Hanking Gold Mining Pty Ltd	Investor Group	100%	In May 2016, Hanking announced the acquisition of the Parker Range tenements from an investor group for A\$220,000.	Reserves development	0.47	1.97	29,634	Inferred	0	7.42	8.00	
AU earn in to Xanadu	Xanadu	Nov-17	1,667	AU Resource Company Limited	MRG Metals Limited	10%		Reserves development	1.02	2.38	78,000			38.46	39.53	JV earn-in, with no obligation to proceed or minimum expenditure prior to withdrawal.
Beacon acquisition of Black Cat	Black Cat	May-17	1,683	Beacon Minerals Limited	Flinders Exploration Limited, JH Mining Limited	100%	In May 2017, Beacon announced the acquisition of Black Cat from Flinders and JH Mining for	Reserves development	0.317	2	20,500			29.27	29.79	Strategic - tenements and infrastructure within 4 km of

Transaction	Project	Date announced	Au price	Buyer	Seller	Equity	Synopsis	Stage	Tonnes (Mt)	Grade (g/t Au)	Contained Au (oz)	Class	% above Inferred	Implied	Normalised	Comment
							A\$200,000 cash and 20 million Beacon shares.									Beacon's Jaurdi Gold Project.
Roman Kings acquisition of Leonora	Leonora	Nov-16	1,532	Roman Kings Pty Ltd	Zinc of Ireland NL	51%	In November 2016, Roman Kings agreed to earn a 51% interest in the Leonora project for A\$100,000 cash and A\$350,000 expenditure within 18 months.	Reserves development	1.01	1	32,000			27.57	30.83	
GME earn in to Murrin Murrin	Murrin Murrin	Jul-16	1,802	GME Resources Limited	Zeta Resources Ltd	50%			0.547	3.12	54,875			54.67	51.97	High grade. Transaction terminated prior to completion

## Appendix 3: Geoscience Factor Ratings

Table 23: Geoscience Factor ratings for the WEMP tenements

Tenement ID	Type	Area (km <sup>2</sup> )	Mineral rights	Interest (%)	BAC	Address	On property	Anomaly	Geological	Market	Value A\$
M15/87	Mining Lease	3.641	All metals	100%	39,523	3	2	2	1.5	0.5	355,707
<b>Subtotal all metals rights</b>											<b>355,707</b>
E15/1505	Exploration Licence	3.933	Li	75%	4,941	1.5	1	1	1.5	0.5	5,558
E15/1507	Exploration Licence	43.849	Li	75%	55,085	1.5	1	1	1.5	0.5	61,971
E15/1562	Exploration Licence	46.742	Li	75%	58,720	1.5	1	1	1.5	0.5	66,060
M15/74	Mining Lease	9.273	Li	75%	75,494	1.5	1.5	1.5	1.5	0.5	191,094
M15/75	Mining Lease	5.686	Li	75%	46,291	1.5	1.5	1.5	1.5	0.5	117,174
M15/96	Mining Lease	8.431	Li	75%	68,639	1.5	1	1	1.5	0.5	77,219
M15/97	Mining Lease	6.759	Li	75%	55,027	1.5	1.5	1	1.5	0.5	92,858
M15/99	Mining Lease	9.841	Li	75%	80,118	1.5	1.5	1.5	1.5	0.5	202,799
M15/100	Mining Lease	9.578	Li	75%	77,977	1.5	1	1	1.5	0.5	87,724
M15/101	Mining Lease	9.643	Li	75%	78,506	1.5	1	1	1.5	0.5	88,319
M15/102	Mining Lease	9.319	Li	75%	75,868	1.5	1.5	1.5	1.5	0.5	192,042
M15/653	Mining Lease	9.991	Li	75%	81,339	1.5	1	1	1.5	0.5	91,507
M15/698	Mining Lease	4.218	Li	75%	34,340	1.5	1	1	1.5	0.5	38,632
M15/699	Mining Lease	3.405	Li	75%	27,721	1.5	1	1	1.5	0.5	31,186
M15/1271	Mining Lease	4.857	Li	75%	39,542	1.5	1.5	1.5	1.5	0.5	100,091
<b>Subtotal lithium rights licences</b>											<b>1,444,233</b>
E15/967	Exploration Licence	7.367	Ni	100%	12,340	2	1.5	1.5	1	0.5	27,764
E15/968	Exploration Licence	4.336	Ni	100%	7,263	2	1	1.5	1	0.5	10,894
M15/395	Mining Lease	2.494	Ni	100%	27,072	2	1.5	2	1	0.5	81,217
M15/703	Mining Lease	0.933	Ni	100%	10,128	2	1.5	2	1	0.5	30,383
M15/1828	Mining Lease	10.029	Ni	100%	108,865	2	1	1.5	1	0.5	163,297



Tenement ID	Type	Area (km <sup>2</sup> )	Mineral rights	Interest (%)	BAC	Address	On property	Anomaly	Geological	Market	Value A\$
P15/5860	Prospecting Licence	1.962	Ni	100%	23,446	2	1	1.5	1	0.5	35,169
<b>Subtotal nickel rights licences</b>											<b>348,725</b>
<b>Total</b>	<b>All</b>	<b>216.29</b>	<b>Various</b>	<b>Various</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,148,665</b>

Table 24: Geoscience Factor ratings for the Carr Boyd tenements

Tenement ID	Type	Area (km <sup>2</sup> )	Mineral rights	Interest	BAC	Address	On property	Anomaly	Geological		Value A\$
E29/982	Exploration Licence	8.9	All	100%	14910.85	1.5	2.5	2.5	1.5	0.5	104,842
E29/1012	Exploration Licence	17.8	All	100%	29820.03	1.5	1.5	1.5	1.5	0.5	75,482
E31/726	Exploration Licence	49.8	All	100%	83336.28	1.5	2.5	2.5	1.5	0.5	585,958
E31/1124	Exploration Licence	62.3	All	100%	104334.1	1.5	1.5	1.5	1.5	0.5	264,096
E31/1162	Exploration Licence	92.0	All	100%	154083.3	1.5	2.5	1.5	1.5	0.5	650,039
M31/12	Mining Lease	2.7	All	100%	28928.58	2.5	2.5	2.5	1.5	0.5	339,007
M31/109	Mining Lease	1.0	All	100%	10648.76	2.5	2.5	2.5	1.5	0.5	124,790
M31/159	Mining Lease	0.8	All	100%	8662.29	2.5	2.5	1.5	1.5	0.5	60,907
<b>Total</b>	<b>All</b>	<b>235.2</b>	<b>All</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,205,120</b>

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