

## ASX Announcement 2 January 2019

**Kalia Limited** is exploring for copper, gold and energy metals in the Mt Tore region on Bougainville Island and Australia

### Directors

Chairman  
*Hon. David Johnston*  
Managing Director  
*Mr Terry Larkan*  
Technical Director  
*Mr Peter Batten*  
Non-Executive Director  
*Mr Sean O'Brien*

### Operations

CFO & Company Secretary  
*Mr Phillip Hartog*

### Issued Capital

Ordinary Shares  
2,514,347,391  
Unlisted Options  
144,500,000  
Adviser Options  
250,000,000

### Share Price – 2 January 2019

\$0.003

### ASX Code

KLH

### Further Contact:

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West Perth WA 6872

## Funding Update

### Further \$1m loan facility to be entered into with Tygola

Kalia Limited (“Kalia” or “the Company”) is pleased to advise that the Australian Securities Exchange (“ASX”) has granted the Company a waiver of ASX Listing Rule 10.1.

The granting of the waiver permits the Company and its subsidiaries to grant a first ranking security over its assets in favour of Tygola Pty Ltd (“Tygola” or “the Lender”) (“Security”) to secure the Company’s obligations under a further secured loan facility of \$1 million (“New Facility”) provided by Tygola without obtaining shareholder approval, on the following conditions:

1. The Security includes a term that if an event of default occurs and Tygola exercises their rights under the Security, neither Tygola nor any of its associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company’s obligations under the Security, or otherwise deal with the assets of the Company or its subsidiaries, without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person) appointed by Tygola exercising their power of sale under the Security and selling the assets to an unrelated third party on arm’s length commercial terms and conditions and distributing the cash proceeds to Tygola or any of its associates in accordance with their legal entitlements.
2. A summary of the material terms of the New Facility and the Security is made in each annual report of the Company during the term of the New Facility.
3. Any variations to the terms of the Security which is:
  - Not a minor change; or
  - Inconsistent with the terms of the waiver, must be subject to shareholder approval.
4. The Company and Tygola must seek to discharge the Security when the funds advanced to the Company are repaid, or if it is not discharged, seek shareholder approval for the continuation of the Security for any further period.

A summary of the New Facility is set out below:

- A total of \$1 million is to be advanced, which is repayable by 28 June 2019.
- Funds advanced are to be applied for working capital for exploration at the Company’s Tore Project in Bougainville.
- Interest at 10% per annum payable monthly in arrears.
- Administration fee to be paid of 5% of the total amount advanced.
- Tygola has the right, subject to shareholder and regulatory approvals, to convert the amount loaned into ordinary shares in the capital of the Company at \$0.004 per share.

Full conversion of the New Facility would result in the issue of 250,000,000 new Ordinary Shares representing 9.04% of the then enlarged issued share capital of the Company.

The terms of the New Facility and Security have been negotiated between the Company and Tygola on arm's length terms and will (other than the option to convert all or part of the New Facility into shares) be on the same terms as the existing loan agreement previously approved by the Company's shareholders. The ability to convert the New Facility into shares will provide the added ability for the Company to satisfy its obligations under the Loan whilst maintaining its cash reserves. For these reasons the Company considers entry into the New Facility to be fair and reasonable from the perspective of its shareholders.

The Company has elected to obtain further funds from Tygola, rather than a party who is not a Listing Rule 10.1 party, because Tygola has an understanding and appreciation of Kalia's operating environment and strategy, following a year long relationship. The Company held some exploratory discussions with brokers in Perth, Sydney and London and the feedback was, given current market conditions and Kalia's stage of exploration, the funding through Tygola would be a better option from a certainty perspective and offer upside for shareholders at this time.

The Company has considered alternative sources of funds, including the issue of equity through rights issue and/or through the placement of equity with investors. The Company plans to increase exploration activities in the coming months which is expected to impact the share price positively. The Company believes that the shareholders will benefit with the issue of equity at a higher valuation which is expected to result from exploration results.

#### **Update on existing loan facility with Tygola and proposed General Meeting**

The repayment date for the existing loan from Tygola of \$3 million is 31 December 2018. The Company was not able to obtain an appropriate waiver from ASX Listing Rule 10.1 to increase the amount of that loan or extend the security for the loan as approved at the general meeting of Shareholders held on 11 May 2018 and therefore the parties are unable to extend the term of this existing loan in accordance with the loan agreement unless and until the Company seeks and obtains the approval of its shareholders under ASX Listing Rule 10.1 at a general meeting ("General Meeting"). The parties will be seeking approval to extend the term of the existing loan until 28 June 2019.

The Company intends to convene a General Meeting as soon as possible to address this matter. While expressly reserving all of its rights and remedies under or in relation to the existing loan agreement and general security deed, Tygola has provided a letter of comfort to the Company that it will not take action to enforce the existing first ranking security until such time as the General Meeting has been held.

The New Facility is repayable by 28 June 2019. The Company expects repayment of the amounts advanced and discharge of the associated Security to be achieved by this time through the raising of funds by way of the issue of new equity to both new and existing investors, repayment through alternative or further debt funding or a combination of the aforementioned. Discussions have commenced with various parties on all avenues.

Mr. Terry Larkan, Managing Director of Kalia, said "Kalia is the only public company actually operating on the island of Bougainville with its acknowledged mineral potential and these funds will see us deliver further evidence of the potential of our explorations licences.

The support of Tygola is valued and demonstrates the shared belief in the potential of the Bougainville exploration licences.

The \$1m under the New Facility will be used directly to advance geological fieldwork with the objective of delineating a drill site.

The geophysical survey has been completed. The survey delivered a detailed dataset covering 100% of our exploration area whereas previous data was limited to about 20% of the area. The data is being processed by independent specialists and we expect to start receiving the analysis of some results in January 2019. This will assist in directing fieldwork more efficiently.

The volume of data from the geophysical survey will take a few months of processing by the independent expert contractors and we expect to provide the first update on geophysical interpretation in January 2019 and thereafter as results become available.”

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