

ASX Announcement
24 July 2019

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

Directors

Chairman

Hon. David Johnston

Managing Director

Mr. Terry Larkan

Director Corporate Development and Strategy

Mr. Michael Johnston

Technical Director

Mr. Peter Batten

Non-Executive Director

Mr. Sean O'Brien

Non-Executive Director

Mr. Jonathan Reynolds

Operations

Joint Company

Secretary

Ms. Melissa Chapman

and Ms. Catherine

Grant-Edwards

Issued Capital

Ordinary Shares

2,514,347,391

Unlisted Options

100,000,000

Share Price – 23 July 2019

\$0.001

ASX Code

KLH

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Funding and Corporate Update

Kalia Limited (“Kalia” or “the Company”) is pleased to provide an update on its funding arrangements to facilitate ongoing operations.

Tygola Pty Ltd (“Tygola” or “the Lender”) has agreed to continue to support the Company through loan facilities. A summary of the loan arrangements in place are:

- a \$3 million secured loan provided to the Company in May 2018 (“Facility 1”) which has been deferred until, and is due to be repaid on, 31 December 2019;
- a second secured loan agreed in January 2019, approved at the General Meeting on 11 May 2019 (“Facility 2”), which has been increased from \$1.25 million to \$1.5 million and which has been also been deferred until, and is due to be repaid on, 31 December 2019;
- a third, unsecured loan of \$1.5 million (“Facility 3”) which is repayable on 31 December 2019 bearing interest at 10% per annum and levying a facility fee of 5%, as with the other loans; and
- Save for Tygola having the option of converting \$1 million of Facility 2 at \$0.004 per ordinary share, the loans are repayable in cash.

At the date of this announcement, the Company has drawn down \$3 million of Facility 1 and \$1.47 million of Facility 2, leaving a total of \$1.53 million available under Facility 2 and Facility 3.

The funding will be used to expedite the evaluation of the previously announced priority targets defined earlier this year by the independent experts, Dr Amanda Buckingham of Fathom Geophysics (refer ASX Announcement 11 March 2019) and Dr Steve Garwin on the geochemistry (refer ASX Announcement 13 May 2019).

The Company is also pleased to announce that it is in negotiations with Tygola in respect of a proposed recapitalisation the Company. The terms of the recapitalisation are yet to be determined however the Company will announce those details once they are available. The Company has engaged with advisors on this matter.

In light of Tygola’s increased involvement with the Company, in particular the above loan facilities, the Company is also proposing strategic changes to the composition of the Board, which are intended to add additional resources as well as improve governance and accountability.

The proposed changes will see the following new directors join the directorate:

Mr. Mike Johnston joins as the executive director responsible for Corporate Development and Strategy effective 22 July 2019. Mr Johnston has extensive experience in PNG, having been Technical Services Manager at the giant Porgera Gold Mine during the 1990’s, then General Manager of Placer Dome’s exploration for all of Australia

and Asia Pacific in the early 2000's. Most recently Mike was President and CEO of Nautilus Minerals, where he managed the development of the world's first publicly listed (TSX) sea floor mining company and was responsible for raising over A\$300 million in finance.

Mr. Jonathan Reynolds has been appointed as a non-executive director effective 22 July 2019. Mr Reynolds is a member of Chartered Accountants Australia and New Zealand, a fellow of Financial Services Institute of Australia and holds a Bachelor of Commerce (Honours) degree. Jonathan has more than 25 years' experience across a range of sectors, mostly in financial management roles having been chief financial officer with a number of listed entities since his time with an international firm of chartered accountants. He was the finance director of a resource investment house, managing investments across a range of commodities and in a number of countries and is currently finance director with Allegiance Coal Ltd (ASX:AHQ), an ASX listed company focussed on investing in advanced, near production or producing metallurgical coal projects.

Shareholders will have the opportunity to vote on the appointment of Messrs Johnston and Reynolds at the next General Meeting of shareholders to be held no later than 30 November 2019 ("General Meeting").

Details of the remuneration of Messrs Johnston and Reynolds, together with any other changes to the Board, will be announced once available and provided in the notice for the General Meeting.

About the Bougainville Exploration Licences

The Company, through Tore Joint Venture Limited, manages two exploration licences on the island of Bougainville, Autonomous Region of Bougainville, Papua New Guinea.

Tore Joint Venture Limited is 75% owned by Kalia Limited, with the remaining 25% being held by Toremana Resources Limited, a registered landowner association.

The two exploration licences, EL03 and EL04 were issued in November 2017 and cover a combined area of 1,704 km².

The region sits on the Pacific Rim of Fire and is prospective for volcanic epithermal mineralisation. Particularly for gold and copper mineralisation in granitoid complexes associated with intrusion of deep-seated magma chambers into overlying volcanic geology. These intrusions, porphyry coppers, are located throughout PNG with Panguna as the regional example located to the south of Tore on the island of Bougainville. Most porphyry copper deposits tend to be large tonnage and low grade, with tonnages of hundreds of million tonnes to in excess of a billion tonnes but grades are generally around 0.20 gpt Au and 0.20% Cu and above.

The Panguna deposit is a complex of diorites and granodiorites intruded into the Panguna andesites and was mined by Bougainville Copper Limited from 1972 to 1989.

The Company has previously disclosed details of the historical reports which note that potential exists for multiple deposits in the north and up to seven different styles of mineralisation were and these seven styles can be broadly grouped into three:

1. Porphyry Cu, Au;
2. Epithermal veining (including polymetallic veins and Au); and
3. Volcanogenic Massive Sulphides (VMS)

Recent geophysical survey data has been analysed and identified 64 porphyry and epithermal targets across the area including 12 Priority 1 targets while independent correlation between geophysics and geochemistry highlights the robustness of the modelling and high prospectivity of the region.