

**ASX Announcement
30 September 2019**

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

Directors

Chairman

Hon. David Johnston

**Executive Director,
Corporate
Development and
Strategy**

Mr. Michael Johnston

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
2,514,347,392
Unlisted Options
100,000,000

**Share Price – 27
September 2019**

\$0.001

ASX Code

KLH

Further Contact:

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Funding and Corporate Update

Kalia Limited (“Kalia” or “the Company”) is pleased to provide an update on its funding arrangements, work plans in Bougainville, and capital management plans.

Tygola Pty Ltd (“Tygola”) has agreed to continue to support the Company by providing an additional unsecured facility of \$3.0 million.

The new facility will enable the Company to implement an accelerated program of field work to define drill targets; and undertake a systematic international investor relations program aimed at recapitalising the Company in the coming months in order to raise the funds required to take exploration activities to the next step, including undertaking the proposed 2020 drill program.

Further, Tygola has indicated to the Board that it is prepared, subject to formal documentation at the time and any required ASX and shareholder approvals, to convert the total amount due to it into new ordinary shares on the same terms as the proposed recapitalisation referred to above.

Cautionary statement: Shareholders are cautioned that currently no recapitalisation proposal has been made available to the Company. Efforts will be made over the coming months to enter into arrangements, subject to requisite ASX and shareholder approval, but there can be no certainty that any concluding transaction will eventuate.

As well as these initiatives, the Board has resolved, subject to shareholder approval, to undertake a capital management plan that will see the Company’s share capital consolidated on a 1:100 ratio to reduce the Company’s issued capital to approximately 25 million ordinary shares (down from the current 2,514,347,392 ordinary shares).

The Hon David Johnston, the Company’s Chairman, commented “Tygola’s continued strong support for Kalia provides the Company and its shareholders with certainty of funding for the crucial task of defining drill targets within the Company’s highly prospective Bougainville tenements and enables the Company to undertake a systematic international investor roadshow aimed at raising the funds needed to

recapitalise the Company to allow it to progress its exploration activities. The Board expresses its thanks to Tygola.”

A summary of all the loan arrangements in place with Tygola is;

- May 2018, “Facility 1”, a \$3 million secured loan, repayable on 31 December 2019,
- January 2019, “Facility 2”, a \$1.5 million second secured facility, repayable on 31 December 2019,
- July 2019, “Facility 3”, an unsecured loan of \$1.5 million, repayable on 31 December 2019,
- September 2019, “Facility 4”, a new unsecured loan of \$3 million, due and payable on 31 December 2019.

Save for Tygola having the option of converting \$1 million of “Facility 2” at \$0.004 per ordinary share, all loans are payable in cash and bear an interest rate of 10% per annum and attract a facility fee of 5%.

At the date of this announcement, the Company has fully drawn down “Facilities 1 and 2”, for \$4.5 million, and \$0.3 of “Facility 3”, leaving a total of \$4.2 million available under “Facility 3” and “Facility 4”, with all loans due and payable on 31 December 2019.

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

To support this work, the Company has expanded its landowner consultation and landowner studies to facilitate improved access to key target areas. The Company is also currently assembling fresh teams of experienced field geologists and support staff to undertake the defined field programs. The first of these new teams has been assembled, and results will be reported as they come to hand.

As noted, the Board has also resolved, subject to shareholder approval, to undertake a 1:100 share consolidation to reduce the Company’s issued capital to around 25,000,000 ordinary shares. The Board feels that this consolidation is a necessary step which will ultimately allow all shareholders to benefit from the results of the expanded field programs and corporate activity currently being undertaken.

Shareholders will have the opportunity to vote on the share consolidation and appointment of new directors (refer ASX Announced 24 July) at the Annual General Meeting of shareholders to be held no later than 29 November 2019.

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, for a period of three years, and cover a combined area of 1,704 km².

The Company has previously disclosed details of historical reports, mapping and sampling which highlight the potential for intrusion related porphyry Cu/Au, and epithermal veining (including polymetallic veins and Au) within the licences.

The Company's recently completed helimag survey has outline the likely intrusive centres and defined several priority target areas requiring ground truthing and follow up.

Access to various target areas is currently being negotiated with affected landowners by the Company's community relations staff, and fresh teams of geologists and support staff are currently being assembled to undertake the work programs defined by the Company's staff and consultants.