

# Notice of Extraordinary General Meeting and Explanatory Memorandum

An Extraordinary General Meeting of Clara Resources Australia Limited will be held at 11:00am (Brisbane Time) on Thursday, 4 April 2024 at Level 7 Waterfront Place, 1 Eagle Street, Brisbane, QLD, Australia.

**Clara Resources Australia Limited** ACN 122 957 322

**Registered office:**

Level 27, 111 Eagle Street  
Brisbane  
Queensland 4000

Each Resolution to be put to the Meeting will be decided by poll vote, as a combination of proxy votes lodged, together with any votes cast in person at the Meeting. Accordingly, Shareholders are encouraged to lodge their votes online via the Company's Registry ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)) or via the proxy form to be supplied.

Any questions that Shareholders would like to put to the Meeting can also be emailed to the Company Secretary ([jhaley@clararesources.com.au](mailto:jhaley@clararesources.com.au)) by 5:00pm (Brisbane time) on Tuesday, 2 April 2024. Responses to any questions will be given verbally at the Meeting, with a summary of material issues addressed in a subsequent ASX release.

**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 Proposed Transaction the subject of Resolution 1 to Shareholders whose votes in favour of the Proposed Transaction are not to be disregarded. The Independent Expert has determined the transactions the subject of Resolution 1 is **FAIR AND REASONABLE**.

## Notice of Extraordinary General Meeting

Notice is given that an Extraordinary General Meeting of Shareholders of **Clara Resources Australia Limited ACN 122 957 322 (the Company)** will be held at the offices of HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Queensland, on Thursday, 4 April 2024 at 11:00am (Brisbane time).

Terms used in this Notice of Meeting are defined in the “**Definitions**” section of the accompanying Explanatory Memorandum.

ASX takes no responsibility for the content of this Notice or of the Explanatory Memorandum.

## AGENDA

### ORDINARY BUSINESS

#### **Resolution 1. Approval of the acquisition of the balance of the Ashford Coking Coal Project from Savannah Goldfields Limited and the issue of the Consideration Shares to Savannah Goldfields Limited**

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To consider and if thought fit, pass the following Resolution as an Ordinary Resolution of the Company:

“That:

(a) *for the purposes of ASX Listing Rules 10.1 and 10.11 and all other purposes, approval is given for the Company to:*

- a. acquire the Renison Balance Shares in respect of the Ashford Coking Coal Project pursuant to the terms of the Binding Term Sheet with Savannah Goldfields Limited (the **Proposed Transaction**);*
- b. issue the Consideration Shares to Savannah Goldfields Limited; and*
- c. otherwise perform its obligations under the Binding Term Sheet,*

*on the terms and conditions set out in the Explanatory Memorandum; and*

(b) *the Directors (or a duly constituted committee thereof) be and are hereby authorised to take all necessary, expedient or desirable steps and to do all necessary, expedient or desirable things to implement, complete or to procure the implementation or completion of the Proposed Transaction and any matters incidental to the Transaction and to give effect thereto with such modifications, variations, revisions, waivers or amendments (not being modifications, variations, revisions, waivers or amendments of a material nature) as the Directors (or a duly constituted committee thereof) may deem necessary, expedient or desirable in connection with the Proposed Transaction and any matters incidental to the Proposed Transaction.”*

**Independent Expert’s Report:** Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under ASX Listing Rule 10.1. The Independent Expert’s Report comments on the fairness and reasonableness of the Proposed Transaction the subject of this Resolution to Shareholders whose votes in favour of the Proposed Transaction are not to be disregarded.

**The Independent Expert has concluded that the Proposed Transaction the subject of this Resolution is fair and reasonable to Shareholders whose votes in favour of the Proposed Transaction are not to be disregarded.**

**See Explanatory Memorandum for further information.**

**Voting Exclusion Statement**

In accordance with ASX Listing Rules 10.5.9, 10.13.10 and 14.11, the Company will disregard any votes cast in favour of Resolution 1 at the extraordinary general meeting by or on behalf of:

- (a) Savannah Goldfields Limited or any of its Associates; and
- (b) any other person who will obtain a material benefit as a result of the Proposed Transaction or as a result of the issue of the Consideration Shares (except a benefit solely by reason of being a holder of ordinary securities in Clara Resources) and their Associates.

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

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

**GENERAL BUSINESS**

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the Board



John Haley  
Company Secretary  
6 March 2024

# EXPLANATORY MEMORANDUM

This Explanatory Memorandum is provided to Shareholders of Clara Resources Australia Limited ACN 122 957 322 (the **Company**) to explain the Resolution to be put to Shareholders at an Extraordinary General Meeting to be held at the offices of HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Queensland on Thursday, 4 April 2024 at 11.00am (Brisbane time).

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of Resolution 1 contained in the Notice of Meeting. The Directors recommend that Shareholders read the accompanying Notice of Meeting (including this Explanatory Memorandum) in full before making any decision in relation to the Resolution.

Terms used in this Explanatory Memorandum are defined in section 2.

## 1. **Resolution 1: Approval of the acquisition of the balance of the Ashford Coking Coal Project from Savannah Goldfields Limited and the issue of the Consideration Shares to Savannah Goldfields Limited**

### **A. Background to and reasons for the Proposed Transaction**

As announced on the ASX on 15 February 2024, the Company has reached agreement with Savannah Goldfields Limited (**Savannah**) on new terms to enable the Company to acquire from Savannah the balance 60% of the shares in Renison Coal Pty Ltd ACN 100 163 942 (**Renison**) which are not currently owned by the Company (the **Proposed Transaction**). Completion of this Proposed Transaction will give the Company 100% ownership of Renison, which owns and operates the Ashford Coking Coal Project (**Ashford Project**).

The terms for the Proposed Transaction are contained in the Binding Term Sheet between the Company, Renison and Savannah dated 14 February 2024. The parties intend to enter into a formal Sale and Purchase Agreement, a royalty deed and a release deed as are more fully explained below, the terms of which will be on the same terms as recorded in the Binding Term Sheet and including such other usual terms and conditions for a share sale transaction. The Company will keep shareholders updated in this regard.

### **Original Transaction**

Shareholders will be aware that the Company and Savannah are already parties to the Share Acquisition Agreement entered into by the Company (then known Aus Tin Mining Limited) and Savannah (then known as Laneway Resources Limited) dated 17 April 2021 (**Existing Agreement**) which contained terms for:

- an initial acquisition by the Company of 40% of the issued share capital of Renison (**Stage 1 Acquisition**), which was completed on 19 April 2021 in conjunction with the entry into the Share Acquisition Agreement; and
- the Company to have a right, via an option, to acquire the remaining 60% of the issued share capital of Renison (**Stage 2 Option**), which option is due to expire on 19 April 2024,

### **(Original Transaction).**

The terms of the Existing Agreement were announced to the ASX across announcements made on 31 July 2020, 3 February 2021 and 19 April 2021 and Shareholders approved the Original Transaction contemplated by the Share Acquisition Agreement (for the purposes of the issue of shares to Savannah under Listing Rule 7.1) at the Company's Annual General Meeting held on 29 January 2021.

If the Proposed Transaction is completed, it will replace the Stage 2 Option under the Original Transaction, with the Existing Agreement (and the current Shareholders' Agreement between the Company and Savannah) to be terminated upon completion of the Proposed Transaction.

## New Proposed Transaction

As announced on the ASX on 31 July 2020, the Company's intention was to undertake a feasibility study and progress a mining lease application for the Ashford Project before committing to progression of the Stage 2 Option. The Scoping Study was released to the market on 4 March 2024. Work is progressing on the Environmental Impact Study for the Ashford Project.

Accordingly, the parties reached agreement on the revised terms as contained in the Binding Term Sheet to enable the Company to acquire the remaining 60% of the issued share capital of Renison (**Remaining Interest**). The new commercial terms for the acquisition of the Remaining Interest as contained in the Binding Term Sheet are detailed below in Section B.

Because Savannah was the recipient on completion of the Stage 1 Acquisition of shares in the Company representing a 19.9% interest in the Company at that time, which has subsequently been diluted to 14.78% of the Company's total issued share capital as at the date of this Notice (**Savannah's Interest**), Savannah is currently a substantial (10%+) holder in the Company for the purposes of the operation of Listing Rules 10.1 and 10.11 of the Listing Rules. Whilst the Company was able to enter into the Share Acquisition Agreement without the approval of Shareholders (having been entered into before Savannah obtained the Savannah Interest), the transaction the subject of the replacement Binding Term Sheet requires the approval of Shareholders under Listing Rules 10.1 and 10.11 because of Savannah's Interest and the purpose of the Resolution is to seek that approval. A further explanation of the operation of Listing Rules 10.1 and 10.11 is provided below in Section C.

Whilst the Binding Term Sheet has already been entered into, completion of the Proposed Transaction is subject to the Company obtaining the approval of its Shareholders to the Proposed Transaction. If Shareholders do not approve the transaction the subject of the Binding Term Sheet, then the Proposed Transaction will not proceed.

In such event, the terms of the Binding Term Sheet provide for Savannah to be able to buy-back the 40% interest in Renison that the Company acquired under the Stage 1 Acquisition (**Buyback Transaction**). The disposal of the Company's 40% interest will itself require approval of Shareholders and it is a term of the Buyback Transaction that the Company will, in those circumstances, need to seek that further approval of Shareholders at a further general meeting to be convened (if required) after the Meeting.

Whilst the Stage 2 Option under the Existing Agreement will technically remain capable of being exercised if the Proposed Transaction is not approved, it is not the intention of the Board of the Company to exercise the Stage 2 Option given that such exercise would necessitate further shareholder approval and the Board considers the revised Proposed Transaction to be a superior outcome for Shareholders than the Original Transaction.

It is important for Shareholders to understand that the possible outcomes which can arise as a consequence of the Resolution are:

- If the Resolution is passed, then the Company will be authorised to proceed with the Proposed Transaction resulting in the Company becoming the 100% owner of Renison and the Ashford Project (and the Existing Agreement will be terminated). As a result of the issue of the Consideration Shares, this will also result in Savannah increasing its shareholding in the Company to 19.99%;
- If the Resolution is not passed, then:
  - the Proposed Transaction will not proceed, and the Existing Agreement (and Stage 2 Option) will remain in operation;
  - the Company does not intend to exercise the existing Stage 2 Option, which will lapse; and

○ either:

- Savannah will not exercise the Buyback Transaction and the Company and Savannah will retain their current respective shareholdings of Renison (the Company 40% and Savannah 60%);
- Savannah will exercise the Buyback Transaction, but the Buyback Transaction is not approved by Shareholders, in which event the Company and Savannah will retain their current respective shareholdings of Renison (the Company 40% and Savannah 60%) or
- Savannah will exercise the Buyback Transaction and the Buyback Transaction is approved by Shareholders (and all other conditions are satisfied) – in which event the Buyback Transaction will proceed resulting in the Company having no interest in Renison or the Ashford Project (ie. Savannah will be restored to 100% owner of Renison and the Ashford Project).

Where the result is that the Company and Savannah will retain their current respective shareholdings of Renison, the Company and Savannah will need to conduct the affairs of Renison and the operation of the Ashford Project pursuant to the terms of the Shareholders' Agreement with consideration to the future progression of the Ashford Project (including potential exit events for either or both parties).

**Independent Expert's Report:** Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Transaction the subject of this Resolution to Shareholders whose votes in favour of the Proposed Transaction are not to be disregarded.

**The Independent Expert has concluded that the Proposed Transaction the subject of this Resolution is fair and reasonable to Shareholders whose votes in favour of the Proposed Transaction are not to be disregarded. See Section D and Annexure A for further details.**

#### **Subscription Agreement**

As announced to the ASX on 15 February 2024, the Company entered into the Subscription Agreement with Savannah to subscribe for 9,375,000 shares in Savannah for a subscription amount of \$375,000 (**Savannah Shares**) (and including 4,687,500 free attaching options having an exercise price of \$0.06 and expiry date of 30 June 2025 (**Savannah Options**)). The Company subscribed for \$150,000 of these shares on 16 February 2024, with the balance \$225,000 of these shares due on 7 March 2024. The completion of the Subscription Agreement was not subject to completion of the Binding Term Sheet.

#### **B. Key terms of the Binding Term Sheet**

As mentioned above, the Company and Savannah have negotiated new terms to facilitate the Company acquiring the Remaining Interest in Renison (and, therefore, the Ashford Project) in substitution of the terms contained in the Existing Agreement.

The terms of the Binding Term Sheet are substantially the same as the terms for the completion of the Stage 2 Option under the Existing Agreement except that:

- the key financial terms have been revised; and
- there is no inclusion of a right for Savannah to appoint a nominee director to the Board of the Company whilst it retains a specified shareholding in the Company.

## Financial terms

The summary of the key financial terms under the Binding Term Sheet, and the comparison with the key financial terms of the Existing Agreement is as follows:

| Binding Term Sheet                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Existing Agreement                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The total consideration payable by the Company (excluding the Royalty) is approximately <b>\$4,048,700</b> (the value will fluctuate depending upon the market price of the shares issued under (a)(ii) below on the date of issue) to be paid in instalments as follows:</p> <p>(a) on completion, comprising:</p> <p>(i) <b>\$2,375,000</b> cash (<b>Completion Payment</b>);</p> <p>(ii) <b>11,100,000</b> shares in the Company at a zero issue price, but having a value of \$188,700 as at the close of trade on 4 March 2024 (\$0.017) being the last practicable trading day prior to the issue of this Notice of Meeting (<b>Consideration Shares</b>);</p> <p>(b) <b>\$685,000</b> cash to be paid from one or more future capital raisings conducted by the Company (with the amount to be paid from any one capital raising being capped at 10% of the net proceeds of the raising (<b>First Deferred Payment</b>). The Company may also seek to satisfy up to \$285,000 of the First Deferred Payment by requiring Savannah to accept a transfer of a portion of the Savannah Shares and Savannah Options acquired by the Company under the Subscription Agreement (up to a maximum of 7,125,000 of the Savannah Shares and 3,562,500 of the Savannah Options). The \$685,000 must be paid in full by 31 March 2026;</p> <p>(c) <b>\$400,000</b> cash within 5 business days of the issue of a mining lease in relation to any part of the Ashford Project tenements (<b>Second Deferred Payment</b>); and</p> <p>(d) <b>\$400,000</b> cash within 5 business days following receipt of payment of the first dispatch of coal from the Ashford Project (<b>Third Deferred Payment</b>).</p> | <p>The total consideration payable by the Company under the current Stage 2 Option, all payable on completion, is:</p> <p><b>\$7,000,000</b> constituted by:</p> <p>(i) <b>\$2,000,000</b> in cash; and</p> <p>(ii) <b>\$5,000,000</b> worth of Shares (the <b>Stage 2 Consideration Shares</b>), or \$5 million in cash, at the election of the Company.</p> |
| <p>The Company is required to pay an ongoing royalty payable to Savannah of \$0.75 per tonne of coal sold from the Ashford Project.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>The Company is required to pay an ongoing royalty payable to Savannah of \$0.50 per tonne of coal sold from the Ashford Project.</p>                                                                                                                                                                                                                       |

In comparison to the terms of the Existing Agreement and the Stage 2 Option, the financial terms of the new Proposed Transaction represent:

- a reduction in the overall consideration to be paid to Savannah;
- a deferral of the payment of certain milestone based payments; and
- an increase in the royalty payable to Savannah.

The Existing Agreement contemplates that the \$7 million completion payment would be satisfied through the payment of \$2 million in cash and \$5 million in either cash or shares at the Company's election. The terms of the Proposed Transaction may theoretically represent an increase in the amount of cash consideration to be paid to Savannah (excluding the royalty), with up to \$3.86 million to be paid in cash under the Proposed Transaction as opposed to \$2 million in cash under the Existing Agreement (on the assumption that the Company elected for the \$5 million component to be satisfied through the issue of shares instead of cash). However, only \$2.375 million is payable at Completion under the Proposed Transaction, with the payment of \$1.485 million of the cash consideration to be paid to Savannah deferred to be paid in future instalments, with some future payments deferred until achievement of specified milestones. Further, the Company can also satisfy \$285,000 of the First Deferred Payment by requiring Savannah to accept a transfer of a portion of the Savannah Shares and Savannah Options. Accordingly, on balance, the Company considers that the new Proposed Transaction is a superior outcome for Shareholders than the Original Transaction.

#### **Board appointee by Savannah**

At present, Savannah has a right under the Existing Agreement to nominate an appointee to the Board of the Company whilst it retains at least a 10% shareholding in the Company. Mr Brad Gordon had been appointed to the Board as the nominee of Savannah from 17 May 2021 until his resignation effective from 31 October 2023. Whilst Savannah retains a right under the Existing Agreement to appoint a replacement nominee to the Board of the Company, it has not presently exercised that right. The right for Savannah to appoint a nominee director to the Board of the Company pursuant to the Existing Agreement will continue until completion of the Binding Term Sheet but will lapse when the Existing Agreement is terminated upon completion of the Binding Term Sheet.

#### **Other key terms**

Other key terms of the Binding Term Sheet are as follows:

- Completion is subject to Shareholder and any other regulatory approvals, and to the Company maintaining the Tenements in good standing until completion (**Conditions**), which Conditions must be satisfied by 4 April 2024;
- As described in Section A, Savannah can exercise the Buyback Transaction if Shareholders do not approve the transaction the subject of the Binding Term Sheet. Savannah can also exercise the Buyback Transaction if:
  - the Company has not maintained the Tenements in good standing until Completion;
  - if the Company has not yet sought the approval of Shareholders, due to delay attributable to default by the Company.

If the Conditions are not satisfied by 4 April 2024, due to delay not attributable to default by the Company, then the parties will negotiate in good faith to agree on a reasonable extension of the date for satisfaction of the conditions – failing agreement, the Binding Term Sheet can be terminated.

The commercial terms attributable to the Buyback Transaction are:

- the consideration payable by the Company will be 2/3rds of the Purchase Price (which excludes the Royalty), payable in Immediately Available Funds;



- completion of the Buyback Transaction is subject to Savannah obtaining all shareholder, regulatory and third party approvals (**Buyback Approvals**);
  - if Savannah has the right to exercise the Buyback Transaction, it will have a period of 5 Business Days in which to notify the Company of the exercise of the Buyback Transaction and the Parties will then have a further period of 60 days to obtain the Buyback Approvals;
  - if the Buyback Approvals are obtained, completion of the Buyback Transaction will take place after 5 Business Days;
  - if the Buyback Approvals are not obtained, then the Buyback Transaction will lapse and the Shareholders Agreement will remain in operation.
- Completion is to take place five Business Days after satisfaction of the conditions precedent;
  - The Existing Agreement and Shareholders Agreement will terminate upon the completion of the Binding Term Sheet;
  - Parties to enter into a Royalty Deed to record the terms of the Royalty identified in the table above;
  - Parties to enter into a Deed of Release to resolve a current dispute between the parties (further details provided below);
  - If the Company elects to sell any of its shareholding in First Tin LLC (**FT Shares**), then the Company must apply 60% of the net sale proceeds from the sale of the FT Shares to payment of the Completion Payment. The decision whether or not to sell FT Shares (and how many) is at the discretion of the Company;
  - The Second Deferred Payment and the Third Deferred Payments must be assigned to any future purchaser of the Tenements (or part thereof); and
  - Savannah cannot, for a period of two years following Completion, directly or indirectly participate in any coal exploration/mining projects within 20 kms of the Tenements.

The formal Sale and Purchase Agreement will contain these terms and otherwise contain the usual terms and conditions for a share sale transaction.

If the Proposed Transaction is approved, all conditions precedent to the Proposed Transaction proceeding will have been satisfied and completion of the Proposed Transaction and issue of the Consideration Shares will occur within the following five Business Days.

Savannah has agreed to a 3 month voluntary escrow period in respect of the Consideration Shares restricting their disposal without the prior written consent of the Company.

### **Deed of Release**

As identified above, it is a term of the Proposed Transaction that the Company provide Savannah with a Deed of Release, effective from Completion, in relation to further claims or actions arising from the current dispute between the parties arising from Savannah's failure to complete a placement with the Company in 2023 (**Dispute**).

As reflected in the announcements made by the Company on 5 April 2023 and 10 July 2023, the Dispute arose as a consequence of:

- Savannah provided a commitment to the Company to participate in a placement of \$3.5 million through a contribution of \$687,500 under Tranche 2 of that placement, subject to shareholder approval; and

- despite an agreement reached with Savannah to extend the date for payment to 3 July 2023. Savannah failed to complete the payment of funds on that date and, after Savannah's shareholder approval expired on 6 July 2023, the Company issued a notice of termination for the breach of the agreement.

No further action has been taken by the Company since that time.

It is against the background of this Dispute that the parties have negotiated the new commercial terms of the Purchase Agreement. In consideration of the improved commercial terms that the Company has secured for the Proposed Transaction, the Company has also agreed to release Savannah from any claims or actions arising from the Dispute pursuant to such a Deed of Release at Completion.

### **C. Shareholder approval and Listing Rules 10.1 and 10.11**

As noted above, it is a condition precedent of the Binding Term Sheet taking effect that Shareholders approve the Proposed Transaction. Shareholder approval to the Proposed Transaction is required as a result of the application of:

- Listing Rule 10.1 in relation to the acquisition of the Renison shares from Savannah; and
- Listing Rule 10.11 in relation to the issue of the Consideration Shares to Savannah.

#### **ASX Listing Rule 10.1**

ASX Listing Rule 10.1 protects a listed entity's security holders from parties that are likely to be in a position to influence the listed entity exercising that influence to favour themselves at the expense of the listed entity by imposing an obligation to obtain security holder approval where the listed entity wishes to acquire a substantial asset from, or dispose of a substantial asset to, the party in the position of influence.

Specifically, Listing Rule 10.1.3 specifies that:

*An entity . . . must ensure that neither the entity, nor any of its child entities, acquires or agrees to acquire a substantial asset from, or disposes or agrees to dispose of a substantial asset to, any of the following persons without the approval of holders of the entity's ordinary securities. [...]*

*10.1.3 – a person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%+) holder in the entity.*

ASX Listing Rule 10.2 then defines 'substantial asset' for the purposes of ASX Listing Rule 10.1 as follows:

*An asset is substantial if its value, or the value of the consideration being paid or received by the entity 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 listing rules.*

In determining whether the asset meets the 5% threshold, liabilities assumed by the entity as part of the acquisition or assumed by someone else as part of the disposal of the asset are not to be deducted from the value of the asset. Separate acquisitions or disposals will also be aggregated for the purpose of determining the 5% threshold if, in ASX's opinion, they form part of the same commercial transaction.

#### **ASX Listing Rule 10.11**

Like Listing Rule 10.1, ASX Listing Rule 10.11 also protects a listed entity's security holders from parties that are likely to be in a position to influence the listed entity exercising that influence to favour themselves at the expense of the listed entity by imposing an obligation to obtain security holder approval where the listed entity wishes to issue or agree to issue equity securities to the party in the position of influence.

Specifically, Listing Rule 10.11 specifies that:

*... an entity must not issue or agree to issue equity securities to any of the following persons without the approval of holders of its ordinary securities:*

*10.11.3 – A person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the entity and who has nominated a director to the board of the entity ... pursuant to a relevant agreement which gives them a right or expectation to do so.*

### Savannah

As the interest held by Savannah in the Company is 14.78% as at the date of this Notice, Savannah is a substantial holder of the Company. Furthermore, based on its latest consolidated financial statements as at 31 December 2023, the Board is satisfied that the Proposed Transaction exceeds the 5% threshold. Therefore, the Proposed Transaction contemplated under the Binding Term Sheet constitutes the acquisition by the Company of a substantial asset from a substantial holder for the purposes of ASX Listing Rule 10.1.

In addition, a period of less than 6 months has elapsed between when Brad Gordon resigned from the board of the Company, as the nominee appointed by Savannah pursuant to the Existing Agreement, and agreement was reached between the Company and Savannah in relation to the Proposed Transaction. Therefore, the issue of the Consideration Shares to Savannah pursuant to the Binding Term Sheet is an issue of equity securities to which Listing Rule 10.11.3 applies.

It is noted that because Savannah did not hold the Savannah Interest when the Existing Agreement was entered into, Shareholder approval under Listing Rule 10.1 or Listing Rule 10.11 was not required for the entry into the Existing Agreement.

### Requirements for notice of meeting under Listing Rules 10.1 and 10.11

#### Listing Rule 10.1

Under Listing Rule 10.5, the Company is required to include the following information for the approval of a transaction under Listing Rule 10.1:

| Listing Rule | Requirement                                                                                                                         | Details                                                                                                                       |
|--------------|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| 10.5.1       | Name of person from whom the Company is acquiring the substantial asset or to whom the entity is disposing of the substantial asset | Savannah Goldfields Limited ACN 003 049 714                                                                                   |
| 10.5.2       | Which category in Rules 10.1.1 – 10.1.5 the person falls within and why                                                             | Rule 10.1.3 as a person who is a substantial (10%+) holder in the Company.<br><br>Savannah's current shareholding is 14.78%.  |
| 10.5.3       | Details of the asset being acquired or disposed                                                                                     | The balance 60% shareholding in Renison Coal Pty Ltd, the owner of the Ashford Project. See Section A above for more details. |
| 10.5.4       | The consideration for the acquisition or disposal                                                                                   | The consideration for the Proposed Transaction is:                                                                            |

|         |                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |                                                                                                                        | <ul style="list-style-type: none"> <li>- \$3,860,000 payable in cash (across immediate and deferred payments, but excluding the Royalty);</li> <li>- The issue of 11,100,000 fully paid ordinary shares in the Company; and</li> <li>- as is otherwise detailed in Section B above.</li> </ul>                                                                                                                  |
| 10.5.5  | In the case of an acquisition, the intended source of funds (if any) to pay for the acquisition                        | The funds to pay for the acquisition are currently intended to be sourced from existing cash and the proceeds from the sale of non-core assets. The Company may also source funding from debt or equity financing.                                                                                                                                                                                              |
| 10.5.6  | In the case of a disposal, the intended use of funds (if any) received for the disposal                                | Not applicable                                                                                                                                                                                                                                                                                                                                                                                                  |
| 10.5.7  | The timetable for completing the acquisition or disposal                                                               | If shareholder approval is obtained, completion is to occur on or before five Business Days after the conditions to completion have been satisfied (or such other date as agreed between the parties). It is anticipated that the Shareholder approval will be the final condition to be satisfied for completion to occur and Completion is anticipated to occur within five Business Days after this Meeting. |
| 10.5.8  | If the acquisition or disposal is occurring under an agreement, a summary of any other material terms of the agreement | See Section B for details relating to the Binding Term Sheet.                                                                                                                                                                                                                                                                                                                                                   |
| 10.5.9  | A voting exclusion statement                                                                                           | A voting exclusion statement is included in this Notice of Meeting                                                                                                                                                                                                                                                                                                                                              |
| 10.5.10 | A report on the transaction from an independent expert                                                                 | A report from an independent expert is included as Annexure A this Notice of Meeting.                                                                                                                                                                                                                                                                                                                           |

|  |  |                                                                                                                                                                                                                          |
|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  | <p><b>The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to the Company's Shareholders whose votes are not to be disregarded.</b></p> <p>Refer to Section D for more details.</p> |
|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### Listing Rule 10.11

Under Listing Rule 10.13, the Company is required to include the following information for the approval of a transaction under Listing Rule 10.11:

| Listing Rule | Requirement                                                                                                                              | Details                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.13.1      | Name of person                                                                                                                           | Savannah Goldfields Limited ACN 003 049 714                                                                                                                                                                                                                                                                                                                                                                                       |
| 10. 13.2     | Which category in Rules 10.11.1 – 10.11.5 the person falls within and why                                                                | <p>Rule 10.11.3 as a person who is a substantial (10%+) holder in the Company and who had nominated a director to the board of the entity . . . pursuant to a relevant agreement which gives them a right or expectation to do so.</p> <p>Savannah's current shareholding is 14.78% and Savannah had a nominee director on the Board of the Company up until 31 October 2023 pursuant to the terms of the Existing Agreement.</p> |
| 10. 13.3     | The number and class of securities to be issued to the person                                                                            | 11,100,000 fully paid ordinary shares                                                                                                                                                                                                                                                                                                                                                                                             |
| 10. 13.4     | If the securities are not fully paid ordinary securities, a summary of the material terms of the securities                              | The Consideration Shares are fully paid ordinary securities in the Company.                                                                                                                                                                                                                                                                                                                                                       |
| 10. 13.5     | The date or dates on or by which the entity will issue the securities, which must not be more than 1 month after the date of the Meeting | The issue of the Consideration Shares will occur upon completion of the Proposed Transaction, which is expected to occur on or before 10 Business Days following the Meeting. The Consideration Shares will                                                                                                                                                                                                                       |

|           |                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                             |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           |                                                                                                                                                                                                                                                                                                                                                                                                               | otherwise be issued in accordance with the requirements of the Listing Rules.                                                                                                                                                                                                                                               |
| 10. 13.6  | The price or other consideration the entity will receive for the issue                                                                                                                                                                                                                                                                                                                                        | <p>The issue price will be the market value of the Consideration Shares on the date of issue.</p> <p>The Company will receive no consideration for the issue of the Consideration Shares. The Consideration Shares are issued as part of the consideration payable by the Company to complete the Proposed Transaction.</p> |
| 10. 13.7  | The purpose of the issue, including intended use of any funds raised by the issue                                                                                                                                                                                                                                                                                                                             | The Consideration Shares are issued as part of the consideration payable by the Company to complete the Proposed Transaction, therefore no funds will be received from their issue.                                                                                                                                         |
| 10.13.8   | <p>If the person is a:</p> <ul style="list-style-type: none"> <li>- A director and therefore a related party under Rule 10.11.1; or</li> <li>- An associate of, or person connected with, a director under Rules 10.11.4 or 10.14.5,</li> </ul> <p>And the issue is intended to remunerate or incentive the director, details (including the amount) of the director's current total remuneration package</p> | The recipient of the Consideration Shares is a company - therefore is not a director or association and this provision does not apply.                                                                                                                                                                                      |
| 10. 13.9  | If the acquisition or disposal is occurring under an agreement, a summary of any other material terms of the agreement                                                                                                                                                                                                                                                                                        | See Section B for details relating to the Binding Term Sheet.                                                                                                                                                                                                                                                               |
| 10. 13.10 | A voting exclusion statement                                                                                                                                                                                                                                                                                                                                                                                  | A voting exclusion statement is included in this Notice of Meeting                                                                                                                                                                                                                                                          |

#### **D. Independent Expert**

ASX Listing Rules 10.5.10 and 10.6 provide that an independent expert's report opining on the fairness and reasonableness of the Proposed Transaction must be prepared to seek Clara Shareholder approval. The Independent Expert is required to be independent from the Company in accordance with Regulatory Guide 112 issued by the Australian Securities and Investments Commission.

Accordingly, the Company has engaged Advisory Partner Connect Pty Ltd for the purpose of preparing the Independent Expert's Report, which is set out in Annexure A of this document.

The Independent Expert's Report has been prepared by the Independent Expert and not by Clara Resources. The Independent Expert's Report can be viewed on the Company's website at <https://clararesources.com.au/asx-announcements>. Shareholders may request a hard copy from the Company at no cost to them. If you wish to request a hard copy, please contact our share registry. The contact details are contained on the Proxy Form.

**The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to the Company's Shareholders whose votes in favour of the Proposed Transaction are not to be disregarded.**

#### **E. Chapter 2E of the Corporations Act**

Under Part 2E of the Corporations Act, Shareholder approval is required where a company provides a financial benefit to a related party.

The Company does not consider that Savannah is a related party of the Company. The Board notes that Savannah does not currently have a Director on the Board of the Company and will no longer have a right of director nomination under the revised terms of the Proposed Transaction.

Even if Savannah were to be considered a related party, the Board has determined that the approval of Shareholders under Part 2E of the Corporations Act would not be required because:

- (1) the Original Transaction was negotiated at arm's length;
- (2) the terms of the Proposed Transaction have been negotiated at arm's length (noting also that Savannah's nominee director to the Board, resigned from the Board effective from 31 October 2023);
- (3) the terms of the Binding Term Sheet, on balance, benefit the Company and are considered by the Board to be reasonable in the circumstances of the Company and Savannah dealing at arm's length,

and the Board is satisfied that the arm's length exception under section 210 of the Corporations Act would otherwise be applied.

#### **F. Advantages, disadvantages and risks of the Proposed Transaction as against the Original Transaction**

The Resolution seeks the required approval of Clara Shareholders of:

- (a) the Proposed Transaction, as set out in the Binding Term Sheet, under and for the purposes of ASX Listing Rule 10.1; and
- (b) the issue of the Consideration Shares to Savannah, pursuant to the terms of the Binding Term Sheet, under and for the purposes of ASX Listing Rule 10.11.

The consequence of the approval of the Resolution and the completion of the Binding Term Sheet is that the Existing Agreement (in particular the Stage 2 Option) will be terminated (ie. the terms of the Binding Term Sheet will replace the terms of the Existing Agreement and Stage 2 Option).

Prior to making any decision to vote in favour of the execution by the Company of the Binding Term Sheet, Clara Shareholders should carefully consider, together with all other information contained in this document, the specific advantages, disadvantages and risks described below.

If the Proposed Transaction is completed, the Directors consider that the key advantages and disadvantages of the Proposed Transaction (including over the terms as contained in the Existing Agreement) are as follows:

### **Key Disadvantages**

- (1) **(Increased royalty rate)** the Binding Term Sheet provides for an increase in the ongoing royalty payable to Savannah from \$0.50 per tonne of coal sold to \$0.75 per tonne of coal sold from the Ashford Project. However, due to other countervailing factors, the Directors do not consider this to be a disadvantage for the reasons discussed below.
- (2) **(Release from Dispute)** the Binding Term Sheet requires the Company to grant a Deed of Release to the benefit of Savannah to release Savannah from any claims the Company has in relation to the Dispute. However, the Board is of the view that the benefits gained for the Company as a result of the more favourable terms negotiated for the Company under the Binding Term Sheet are significantly greater than the value of any claims that the Company may have or be able to recover in relation to pursuing enforcement action in relation to the Dispute.

### **Key Advantages**

- (1) **(More favourable terms)** the Binding Term Sheet will result in terms which are more favourable for the Company in the short term compared to the current terms for the Stage 2 Option:
  - (a) the overall level of consideration (excluding the royalty) is proposed to be reduced from \$7 million to approximately \$3.95 million (depending upon the market value of the Consideration Shares on the date of issue), representing a 44% reduction in the consideration component of the Proposed Transaction as compared with the Original Transaction;
  - (b) whilst the cash component of the consideration has increased from \$2 million to \$3.86 million, the payment of the cash consideration will be undertaken in instalments, with the amount to be paid on completion remaining only slightly higher at \$2.375 million and the balance \$1.485 million (**Balance**) payable across further deferred payments. Further, payment of the Balance is deferred until significant performance milestones have been satisfied in the future, namely:
    - i. the successful completion of one or more capital raisings;
    - ii. the issue of a mining lease in relation to any part of the Ashford Project tenements; and
    - iii. receipt of payment for the first coal shipment from the Ashford Project, and
  - (c) the Company has the option to be able to satisfy up to \$285,000 of the payment due under subclause (b) above by requiring Savannah to buyback up to 7,125,000 of the Savannah Shares (and including 3,562,500 of the Savannah Options); and
  - (d) the value of shares to be issued by the Company to Savannah as part of the consideration from the Proposed Transaction has been reduced from \$5 million to approximately \$188,700 as at the close of trade on 4 March 2024 being the last practicable trading day prior to the issue of this Notice of Meeting (the value will fluctuate depending upon the market price of the shares on the date of issue).
- (2) **(Lower cost to the Company)** whilst there is an increase in the royalty rate, the Independent Expert has calculated (applying a net present cost (**NPC**) methodology) that the additional cost to the Company from the increase in the royalty will be approximately \$2,226,438 – which is still significantly less than the benefits obtained by the Company from the reduced consideration. Noting the deferral of a significant proportion of the consideration and also applying a NPC methodology to those consideration payments, the Independent Expert has determined that:



- (a) on an NPC basis, the cost to the Company under the Existing Agreement for both the consideration and the royalty is \$9,435,461;
- (b) on an NPC basis, the cost to the Company under the Binding Term Sheet for both the consideration and the royalty is reduced to \$7,864,105; and
- (c) the cost for the Company to complete the acquisition is reduced by \$1,571,357 under the terms of the Binding Term Sheet as compared to the current terms of the Existing Agreement. This represents a 17% reduction in the net present cost for the Company to complete the acquisition of the Remaining Interest.

Refer to Sections 5 and 7 and Appendix C of the Independent Expert's Report in Attachment A for the determinations of the NPC and the determination of the discount rate which has been applied.

- (3) **(Certainty)** the terms of the Binding Term Sheet have been determined after extensive negotiations with Savannah and will allow the Company to move immediately to complete the acquisition of the Remaining Ashford Project before the end of April 2024. If the Proposed Transaction is not approved, the Board will have until 19 April 2024 to make a decision on whether or not the Company can and will proceed with the exercise of the Stage 2 Option on the terms as currently contained in the Share Acquisition Agreement. The present intention of the Board is to not exercise the Stage 2 Option, for cost reasons, and to instead progress under the terms of the Shareholders Agreement (if Shareholders are not in favour of the Proposed Transaction);
- (4) **(Strategic direction)** the acquisition of a 100% interest in Renison, which owns and operates the Ashford Project, is consistent with the Company's strategic objectives, maximising returns to Clara shareholders; and
- (5) **(Benefits from 100% ownership)** 100% ownership of the Ashford Project gives the Company control and greater flexibility in dealing with financing, permitting and ongoing project management issues. It is expected to open pathways for the Company to commence discussions with interested potential infrastructure and offtake parties around future funding for the Ashford Project in order to avoid equity funding.

If the Resolution is not passed, the Company will not be able to proceed with the Proposed Transaction. This will result in the following:

- (1) the Proposed Transaction will not proceed and the Existing Agreement (and Stage 2 Option) will remain in operation, in which event the Company can either:
  - (a) exercise the Stage 2 Option before it expires on 19 April 2024 (which may itself require approvals to be obtained); or
  - (b) allow the Stage 2 Option to lapse, resulting in the Company owning a 40% interest in Renison while Savannah continues to own the remaining 60% interest; or
  - (c) seek to renegotiate the Existing Agreement with Savannah on terms which are more agreeable to Clara Shareholders (which will require approval by Shareholders and therefore the prior extension of the period to exercise the Stage 2 Option, which expires on 19 April 2024); and
- (2) Savannah will have the right to undertake the Buyback Transaction to re-acquire the 40% interest in Renison (and the Ashford Project) held by the Company, in which event:
  - (a) Savannah may not exercise the Buyback Transaction and the Company and Savannah will retain their current respective shareholdings of Renison (the Company 40% and Savannah 60%);
  - (b) Savannah may exercise the Buyback Transaction, but the Buyback Transaction is not approved by Shareholders, in which event the Company and Savannah will retain their current respective shareholdings of Renison (the Company 40% and Savannah 60%); or

- (c) Savannah may exercise the Buyback Transaction and the Buyback Transaction is approved by Shareholders (and all other conditions are satisfied)– in which event the Buyback Transaction will proceed resulting in the Company having no interest in Renison or the Ashford Project (ie. Savannah will be restored to 100% owner of Renison and the Ashford Project)

The Company does not intend to exercise the existing Stage 2 Option, in which event either the Buyback Transaction will proceed (subject to shareholder approval) or the Company and Savannah will retain their current respective shareholdings of Renison (the Company 40% and Savannah 60%). Where the result is that the Company and Savannah will retain their current respective shareholdings of Renison, the Company and Savannah will need to conduct the affairs of Renison and the operation of the Ashford Project pursuant to the terms of the Shareholders' Agreement with consideration to the future progression of the Ashford Project (including potential exit events for either or both parties).

### **Risks**

There are also other considerations and risks which Clara Shareholders should consider in deciding whether or not to approve the Updated Transaction:

- (1) The development of the Ashford Project is subject to general project risks including timely completion of environmental and heritage surveys, receiving necessary approvals on schedule, changes in law or regulation, interruptions to construction due to labour or material shortages or disruptions to global supply chain, higher than estimated construction costs, inflation, declines in commodity prices, delayed production, adverse exchange rate movements and the impacts of geopolitics on trade and investment. The eventuation of these risks will likely impact the value of the interests which the Company is acquiring under the Proposed Transaction, however noting these risks are not increased as a result of the Proposed Transaction.
- (2) Clara Shareholders might disagree with the assessment of the Board and the Independent Expert as to the value of the interests which the Company is acquiring under the Proposed Transaction, and whether the Company is paying an appropriate price for the interests acquired from Savannah.
- (3) Savannah's shareholding in the Company will increase to 19.99%, which will give it increased influence on matters which require the approval of Shareholders. In this regard, we note that the Existing Agreement facilitated Savannah obtaining a 19.9% interest in the Company at the time of completion of the Stage 1 Acquisition (which has subsequently been diluted in the absence of Savannah participating in the subsequent capital raising by the Company). While Savannah will no longer have a right of appointment to the board of the Company, a shareholding of 19.99% will nevertheless provide Savannah with a level of influence.

### **G. Voting exclusion**

In accordance with ASX Listing Rules 10.5.9, 10.13.10 and 14.11, the Company is required to disregard any votes cast in favour of the Resolution proposed at the extraordinary general meeting by or on behalf of:

- (1) Savannah and its Associates; or
- (2) any other person who will obtain a material benefit as a result of the Proposed Transaction or as a result of the issue of the Consideration Shares (except a benefit solely by reason of being a holder of ordinary securities in the Company) and their Associates.

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

- (1) a person as proxy or attorney for a person who is entitled to vote on the Resolutions, in accordance with the directions given to the proxy or Attorney;
- (2) the Chair of the meeting as proxy for a person who is entitled to vote on the Resolution, in accordance with the directions given to the Chair; or

(3) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

(a) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting on the Resolution; and

(b) the holder votes on the Resolution in accordance with directions given by the beneficiary.

Other than Savannah, the Company has not identified any other person who will obtain a material benefit as a result of the Proposed Transaction (except a benefit solely by reason of being a holder of ordinary securities in the Company).

#### **H. Directors' Recommendation**

On the basis that:

- the Independent Expert has determined that the Proposed Transaction is fair and reasonable to Clara Shareholders whose votes are not to be disregarded;
- the Board considers that the Proposed Transaction is in the best interests of Clara Shareholders having regard to the reduced cost to the Company and the certainty that completion of the Proposed Transaction will bring to the Company acquiring the Ashford Project in pursuit of its current strategy objectives,

the Directors unanimously recommend that you vote in favour of the Resolution. As is noted in the announcement of 15 February 2024, the Directors and their related entities currently also intend to vote their and their related parties' shareholdings in favour of the Resolution.

## 2. DEFINITIONS

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Term is used in this Explanatory Memorandum shall have the meanings ascribed to them in the Listing Rules or the Corporations Act as appropriate, unless otherwise defined below, or in the body of the Explanatory Memorandum. The following terms shall have the meanings ascribed to them below:

**Ashford Project** means the Ashford Coking Coal Project owned and operated by Renison.

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

**ASX** means ASX Limited ABN 98 008 624 691.

**Binding Term Sheet** means the binding term sheet entered into between the Company, Savannah and Renison dated 14 February 2024.

**Board** means the board of Directors of the Company.

**Closely Related Party** (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- a spouse or child of the member; or
- a child of the member's spouse; or
- a dependant of the member or the member's spouse; or
- anyone else who is one of the member's family and may be expected to influence the member, or to be influenced by the member, in the member's dealings with the entity; or
- a company the member controls; or
- a person prescribed by regulations issued pursuant to the Corporations Act.

**Company** means Clara Resources Australia Limited ACN 122 957 322 and **Clara Resources** has the same meaning.

**Consideration Shares** means 11,100,000 fully paid ordinary shares in the Company (to be issued to Savannah pursuant to the Binding Term Sheet).

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

**Director** means a director of the Company.

**Existing Agreement** means the Share Acquisition Agreement between the Company (then named Aus Tin Mining Limited) and Savannah (then named Laneway Resources Limited) dated 17 April 2021 which sets out the terms of the Original Transaction.

**Independent Expert** means Advisory Partner Connect Pty Ltd.

**Independent Expert's Report** means the Clara Resources Australia Limited Independent Expert's Report prepared by the Independent Expert dated 16 February 2024.

**Key Management Personnel** or **KMP** has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of that entity.

**Listing Rules** means the listing rules of ASX as amended, varied or replaced from time to time.

**Meeting** or **Extraordinary General Meeting** means the extraordinary general meeting of the Company to be held on Thursday, 4 April 2024.

**Notice of Meeting** or **Notice** means the Notice of Meeting and this Explanatory Memorandum.

**Ordinary Resolution** means a Resolution passed by a majority of the votes cast at a general meeting of Shareholders.

**Original Transaction** means the transaction for the Company to acquire 100% of the issued share capital in Renison from Savannah, by way of the Stage 1 Acquisition and the Stage 2 Option, as recorded in the Existing Agreement.

**Proposed Transaction** means the transaction agreed between the parties under the terms of the Binding Term Sheet, pursuant to which the Company has agreed to acquire the remaining 60% of the issued share capital of Renison.

**Related Entity** has the meaning given to it in the Corporations Act.

**Renison** means Renison Coal Pty Ltd ACN 100 163 942.

**Renison Balance Shares** means the remaining 60% of the issued share capital of Renison not currently held by the Company.

**Resolution** means a resolution proposed at the Meeting.

**Savannah** means Savannah Goldfields Limited ACN 003 049 714 (formerly known as Laneway Resources Limited).

**Savannah Options** means 4,487,500 free attaching options for fully paid ordinary shares in Savannah, issued to the Company under the Subscription Agreement having an exercise price of \$0.06 and an expiry date of 30 June 2025.

**Savannah Shares** means 9,375,000 fully paid ordinary shares in Savannah issued to the Company under the Subscription Agreement.

**Shareholder** means a holder of ordinary Shares in the Company and **Clara Shareholder** has the same meaning.

**Shares** means ordinary fully paid shares in the issued capital of the Company.

**Stage 1 Acquisition** means the first stage of the Original Transaction undertaken under the Existing Agreement, being an initial acquisition of 40% of the issued share capital of Renison.

**Stage 2 Option** means an option under the terms of the Original Transaction contained in the Existing Agreement pursuant to which the Company may elect to acquire the remaining 60% of the issued share capital of Renison.

**Subscription Agreement** means the subscription agreement between the Company and Savannah dated on or about 15 February 2024 in relation to the Company subscribing for the Savannah Shares (with the free attaching Savannah Options).

## ENTITLEMENT TO VOTE

The Board has determined, in accordance with the Corporations Regulations 2001 that for the purposes of determining those Shareholders entitled to attend and vote at the Extraordinary General Meeting of the Company, shall be those persons recorded in the register of Shareholders as at 7.00pm (Sydney Time) on Tuesday, 2 April 2024. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

## How to Vote

You may vote by attending the Extraordinary General Meeting in person, by proxy or authorised representative.

## Voting in Person

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

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote on their behalf. Where a member is entitled to cast two or more votes, they may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a member of the Company.

Members who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the *Corporations Act 2001* (Cth).

If a representative of the Company is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

## Signing instructions

You must sign the proxy form as follows in the spaces provided:

- |                    |                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individual:        | Where the holding is in one name, the holder must sign.                                                                                                                                                                                                                                                                                                                                          |
| Joint Holding:     | Where the holding is in more than one name, all of the security holders should sign.                                                                                                                                                                                                                                                                                                             |
| Power of Attorney: | To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.                                                                                                                                       |
| Companies:         | Where the company has a sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the <i>Corporations Act 2001</i> (Cth)) does not have a Company Secretary, a sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. |

Please indicate the office or capacity held by signing in the appropriate place.

To vote by proxy, the proxy form provided with this notice (and the original or a certified copy of any power of attorney under which it is signed) must be received by the Company not less than forty eight (48) hours before the scheduled time for the meeting. Any proxy form received after that time will not be valid for the scheduled meeting.

**Completed proxies can be returned to the Company Secretary by either mail to GPO Box 5261, Brisbane, Queensland 4001; or facsimile to (07) 3303-0681, or scanned and emailed to [jhaley@clararesources.com.au](mailto:jhaley@clararesources.com.au).**



Clara Resources Australia  
Limited Independent Expert's  
Report  
4 March 24

## Financial Services Guide

### About us

Advisory Partner Connect Pty Ltd ("**Advisory Partner**") a Corporate Authorised Representative of AP Lloyds Pty Ltd ACN 643 090 359 Australian Financial Services Licence ("**AFSL**") 526061 has been engaged by Clara Resources Australia Limited ACN 122 957 322 ("**Clara**") or ("**the Company**") to provide financial product advice in the form of an independent expert report ("**the Report**") to express our opinion whether the transaction is fair and reasonable to the Shareholders. Our Report sets out our opinion as to the Fair Market Value of the shares in Clara. The Corporations Act 2001 (Cth) requires us to provide this Financial Services Guide ("**FSG**") in connection with the attached Report prepared for Clara. You are not the party who engaged us to prepare this Report and we are not acting for any person other than Clara. This FSG provides important information designed to assist Shareholders in forming their views of the Proposed Transaction and in understanding any general financial advice provided by Advisory Partner in this Report. Our Report is not intended to comprise personal retail financial product advice to retail investors or market-related advice to retail investors. This FSG contains information about our engagement by the directors of Clara to prepare this Report in connection with the Proposed Transaction, the financial services we are authorised to provide, the remuneration we (and any other relevant parties) may receive in connection with the Engagement, and details of our internal and external dispute resolution systems and how these may be accessed.

### Financial services we are authorised to provide

Advisory Partner, is an corporate authorised representative of Australian Financial Services Licence number 526061, is responsible to you for the services provided under this FSG. The Australian Financial Services Licence authorises us to provide the following services to both retail and wholesale clients, financial product advice in relation to securities, fixed income and derivatives.

### General financial product advice

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. Where the advice relates to the application for or acquisition of a financial product, you should also obtain and read carefully the relevant offer document or explanatory memorandum provided by the issuer or seller of the financial product before making a decision regarding the application for or acquisition of the financial product.

### Remuneration, commissions and other benefits

Advisory Partner charges fees for its services and will receive a fee of \$20,000 (excluding GST) for its work on this Report. These fees have been agreed on, and will be paid solely by Clara, which has engaged our services for the purpose of providing this Report. Advisory Partner may seek reimbursement of any out of pocket expenses incurred in providing these services. Our advisers are directors and employees of Advisory Partner who are paid salaries and dividends by Advisory Partner and may also receive bonuses and other benefits from Advisory Partner. Our advisers may alternatively be paid by means of commission determined by a percentage of revenue written by the adviser.

### Associations and relationships

Other than as set out in this FSG or this Report, Advisory Partner has no association or relationship with any person who might reasonably be expected to be capable of influencing them in providing advice under the Engagement. Advisory Partner, its officers and employees and other related parties have not and will not receive, whether directly or indirectly, any commission, fees, or benefits, except for the fees to be paid to Advisory Partner for services rendered in producing this Report. Advisory Partner, its directors and employees do not have an interest in securities, directly or indirectly, which are the subject of this Report. Advisory Partner may perform paid services in the ordinary course of business for entities, which are the subject of this Report.

### Risks associated with our advice

This Advisory Partner advice is provided in connection with the attached Report relating to the Proposed Transaction. The Report comprises general product advice and does not comprise personal retail financial product advice to retail investors or market-related advice to retail investors. The Report is an expression of Advisory Partner's opinion as to whether the Proposed Transaction is fair and reasonable. However, Advisory Partner's opinion should not be construed as a recommendation as to whether or not to approve the Proposed Transaction. Approval or rejection of the Proposed Transaction is a matter for individual Shareholders based on their own circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure, and tax position. Shareholders who are in any doubt as to the action they should take in relation to the Proposed Transaction should consult their own independent professional advisers. Further information on the risks, assumptions and qualifications associated with the advice is contained within the Report.

### Compensation arrangements

The law requires Advisory Partner to have arrangements in place to compensate certain persons for loss or damage they suffer from certain breaches of the Corporations Act by Advisory Partner or its representatives. Advisory Partner has internal compensation arrangements as well as professional indemnity insurance that satisfy these requirements.

### Complaints

As an Australian Financial Services Licensee, we are required to have an internal complaints-handling mechanism. All complaints can be addressed to us at Level 18, 324 Queen Street, Brisbane City QLD 4000. You may contact us on T+61 7 3106 3399 or F+61 7 3054 0438, E:admin@advisorypartner.com.au. If we are not able to resolve your complaint to your satisfaction within 30 days of first lodging it with us, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA). You will not be charged for using the AFCA service. To contact the AFCA: Tel: 1800 931 678 or make a complaint at <https://www.afca.org.au/make-a-complaint>.

### Privacy & use of information

We do not collect personal information on individual clients and are bound by the Advisory Partner Privacy Policy in the way that it governs personal information collected on clients. If you have any questions on privacy please see our privacy policy on our webClara.



4 March 2024

The Directors  
Clara Resources Australia Limited  
Level 27 / 111 Eagle Street  
Brisbane QLD 4000

**Brisbane**  
Level 18/324 Queen Street  
GPO Box 686  
Brisbane City QLD 4000  
T +61 (0)7 3106 3399  
admin@advisorypartner.com.au

Dear Sirs,

## INDEPENDENT EXPERT'S REPORT – CLARA RESOURCES AUSTRALIA LIMITED

### Introduction

On 17 April 2021, Clara Resources Australia Limited ("**Clara**" or the "**Company**") entered into a share acquisition agreement ("**Share Acquisition Agreement**") under which it agreed to acquire up to 100% of the shares in Renison Coal Pty Ltd ACN 100 163 942 ("**Renison**"), a wholly owned subsidiary of Savannah Goldfields Limited ACN 003 049 714 ("**Savannah**") (formerly known as Laneway Resources Limited). The acquisition is structured to occur in two stages, comprising an initial acquisition of 40% ("**Stage 1 Acquisition**") and an option to acquire the balance 60% ("**Stage 2 Option**").

The Stage 1 Acquisition was completed in April 2021 and, under the terms of the Share Acquisition Agreement, Savannah was issued shares in Clara Resources giving it a 20% holding in the Company. As a result of subsequent dilution of its interest, Savannah currently holds approximately 14% of the ordinary shares in the Company. Savannah is, therefore, currently a substantial holder of the Company for the purposes of ASX Listing Rule 10.1.

The Company announced on 5 April 2023 and 10 July 2023, that Savannah had provided a commitment to the Company to participate in a placement of \$3.5 million with a contribution of \$687,500, but subsequently failed to perform its commitment. This resulted in a dispute over significant shortfall for the Company in the conduct of its capital raising activities.

The dispute has led to the formulation of an ("**Amended Offer**" or "**Proposed Transaction**") to replace the terms which currently relate to the Stage 2 Option, resulting in a reduction of payments for this phase of the acquisition. The Amended Offer, detailed in section 7.0 of this report, outlines the revised financial terms which will operate to facilitate the acquisition of the balance 60% interest in Renison ("**Stage 2 Acquisition**"). This Amended Offer, if approved and completed, will replace the existing terms for the Stage 2 Option as recorded under the Share Acquisition Agreement. By examining the contents of section 7.0, stakeholders and interested parties would gain insights into the replacement terms which apply to the Stage 2 Acquisition, providing a comprehensive understanding of how Clara and Savannah have restructured their agreement in response to the dispute. The agreement for these replacement terms was signed by both parties, Clara and Savannah, on 14th of February 2024.

### Summary Opinion

**In our opinion, the Proposed Transaction is Fair and Reasonable for the Shareholders of Clara Resources whose votes are not to be disregarded.**

### Fairness Assessment

The basis of our evaluation and reasoning of our conclusions are detailed in this Report. Our opinion is based solely on information available as at the date of this Report. In forming our opinion to the fairness of the Proposed Transaction, we have valued the initial offer relative to the amended offer, as summarised below:

## Summary Opinion - Fair Value

Advisory Partner assessed the initial and amended offer for Renison Coal being \$9,435,461 and \$7,864,105 respectively. This results in a **\$1,571,357** reduction in the consideration for Renison Coal.

As demonstrated above, the value of Clara's consideration for the project has decreased significantly, resulting in Advisory Partner's conclusion that the transaction is fair and reasonable for shareholders of Clara Resources.

## Reasonableness

Regulatory Guide 111 "Content of Expert Reports" ("**RG 111**") establishes that if an offer is "fair" it is also "reasonable".

To further assist the Shareholders in their decision-making process we have summarised the following:

- The likely advantages and disadvantages associated with the Proposed Transaction; and
- Alternatives, including the position of Shareholders if the Proposed Transaction does not proceed.

The Shareholders of Clara should read the full Report, where their matters are explained in more details.

## Advantages of Approving the Proposed Transaction

Set out below is a summary of the key advantages to the Shareholders:

- **Ashford Coal Project**  
With approval of the transaction, Clara Resources gains an avenue to actively partake in the Ashford Coal Project at a lower purchase price.
- **Cost Reduction**  
The substantial reduction in payment costs, by 17% under the amended offer presents an immediate and tangible financial benefit to shareholders.
- **Reduced Risk**  
The transaction will reduce the upfront payment for the project and increase the royalties paid. What this means is that the royalties will only be payable once the mine is producing coal rather than payments to purchase the mine before the mine is producing.

## Disadvantages of Approving the Proposed Transaction

Set out below is a summary of the key disadvantages to the Shareholders:

- **Dilution of Interest**  
The offer will result in the likely future dilution of the shareholders as capital raisings will be required to fund the project. This dilution could stem from the necessity of future capital raisings to sustain the financial requirements of the project. Shareholders might face the challenge of reduced ownership percentage and potential impact on their overall influence in the company's decision-making processes.
- **Royalty Payments**  
The amended offer increases the royalty paid out to Savannah Goldfield. This rise in outgoing payments directly affects the net returns generated from the project, potentially impacting the overall profitability of the venture. The heightened royalty payments could pose a financial challenge to Clara Resources, necessitating careful consideration of the long-term financial implications of the agreement.

## Other Considerations

- **Value of Project**  
The value of the Ashford Coal Project may have decreased since the initial offer was made; shareholders need to consider the change in value during the acquisition period.

- **Coal Price**

The price of coking coal is a significant factor to the value of the project. It will impact the cash flow to shareholders and royalty payments paid to Savannah Goldfields.

In our opinion, the advantages of the Proposed Transaction outweigh the disadvantages to the Shareholders of Clara and as such we are of the opinion that the Proposed Transaction is reasonable.

**Shareholder circumstances**

Advisory Partner has not considered the effect of the Proposed Transaction on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of Proposed Transaction from that adopted in this Report. Accordingly, individuals may reach different conclusions as to whether or not the Proposed Transaction is in their individual best interests. The decision of an individual Shareholder in relation to the Proposed Transaction may be influenced by their particular circumstances (including their taxation position) and accordingly, Shareholders are advised to seek their own independent advice.

**Other matters**

This Report has been requested by Clara Directors to assist the Shareholders in their decision to accept or reject the Proposed Transaction.

This Report should not be used for any other purpose and Advisory Partner does not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

This opinion should be read in conjunction with the full text of this report which sets out our findings.

Yours faithfully,



**Brett Plant**  
Director

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# 1.0 Outline of the Proposed Transaction

## 1.1 Introduction and Background

On 17 April 2021, Clara Resources Australia Limited (“Clara” or the “Company”) entered into a share acquisition agreement (“Share Acquisition Agreement”) under which it agreed to acquire up to 100% of the shares in Renison Coal Pty Ltd ACN 100 163 942 (“Renison”), a wholly owned subsidiary of Savannah Goldfields Limited ACN 003 049 714 (“Savannah”) (formerly known as Laneway Resources Limited). The acquisition is structured to occur in two stages, comprising an initial acquisition of 40% (“Stage 1 Acquisition”) and an option to acquire the balance 60% (“Stage 2 Option”).

The Stage 1 Acquisition was completed in April 2021, and, under the terms of the Share Acquisition Agreement, Savannah was issued shares in Clara Resources giving it a 20% holding in the Company. As a result of subsequent dilution of its interest, Savannah currently holds approximately 14% of the ordinary shares in the Company. Savannah is, therefore, currently a substantial holder of the Company for the purposes of ASX Listing Rule 10.1.

The Company announced on 5 April 2023 and 10 July 2023, that Savannah had provided a commitment to the Company to participate in a placement of \$3.5 million with a contribution of \$687,500, but subsequently failed to perform its commitment. This resulted in a dispute over significant shortfall for the Company in the conduct of its capital raising activities.

The dispute has led to the formulation of an (“Amended Offer” or “Proposed Transaction”) to replace the terms which currently relate to the Stage 2 Option, resulting in a reduction of payments for this phase of the acquisition. The Amended Offer, detailed in section 7.0 of this report, outlines the revised financial terms which will operate to facilitate the acquisition of the balance 60% interest in Renison (“Stage 2 Acquisition”). This Amended Offer, if approved and completed, will replace the existing terms for the Stage 2 Option as recorded under the Share Acquisition Agreement. By examining the contents of section 7.0, stakeholders and interested parties would gain insights into the replacement terms which apply to the Stage 2 Acquisition, providing a comprehensive understanding of how Clara and Savannah have restructured their agreement in response to the dispute. The agreement for these replacement terms was signed by both parties, Clara and Savannah, on 14th of February 2024.

## 2.0 Scope and Limitation

### 2.1 Legislative requirements

Chapter 10 of ASX Listing Rules provides that shareholders must be provided with a report by an expert, stating whether values are fair and reasonable in a transaction where it is proposed to acquire an asset from, or dispose of an asset to, a director, officer or substantial shareholder, and the value of the sale/acquisition is greater than 5% of the total issued capital and reserves of the listed company, as at the date of the last audited accounts.

The Listing Rules do not specify how valuations are to be conducted nor do they provide a definition of “fair and reasonable”.

In practice, independent experts refer to the ASIC guidelines. *Policy Statement 74* Acquisitions agreed to by Shareholders is considered most relevant because shareholders do not receive a direct offer for their shares. The guidance as to the meaning of fair and reasonable requires it to be treated as one term.

A transaction will be fair and reasonable in the context of Listing Rule 10 if the independent shareholders are “better off” if the transaction is implemented than if it is not implemented. The critical factor in this assessment will be the assessment of the value of the transaction compared with the consideration being paid.

If an independent expert concludes that the transaction is not fair and reasonable a resolution to approve the transaction cannot be put to shareholders. Should the value comparison element not be favourable, but the net advantages compensate for the difference, the conclusion should be that the proposal is fair and reasonable to shareholders. Not fair but reasonable is NOT an available conclusion under PS74.

The scope of the procedures we have undertaken were limited to those procedures we believed were required in order to form our opinion. Our procedures, in the preparation of this report, do not include verification work nor constitute an audit in accordance with Australian Auditing Standards (“AUS”), nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

### 2.2 Purpose of the report

Advisory Partner has been appointed by the directors of Clara to prepare an independent expert’s report expressing our opinion as to whether or not the Proposed Transaction is ‘fair and reasonable’ to the Shareholders of Clara. The Shareholders are those shareholders in Clara whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transaction.

This report is to accompany the Notice of Meeting for the Annual General Meeting required to be provided to the Shareholders and has been prepared to assist the directors in fulfilling their obligation to provide the shareholders with full and proper disclosure to enable them to assess the merit of the Proposed Transaction and to decide whether to agree by resolution to the Proposed Transaction.

This report should not be used for any other purpose and Advisory Partner does not accept any responsibility for use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our report, in whole or in part, should be reproduced without the written consent of Advisory Partner, as to the form and context in which it may appear.

For the purposes of our opinion, the term “fair market value” is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm’s length.

## 2.3 Scope

The scope of the procedures we will undertake in forming our opinion on whether the Proposed Transaction is in the best interests of the Shareholders will be limited to those procedures we believe are required in order to form our opinion. Our procedures, in the preparation of the report, will not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards issued by the Australian Auditing and Assurance Standards Board (“AUASB”) or its predecessors. Accordingly, Advisory Partner does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose.

In preparing this Report, we have relied on the financial information provided by various officers of Clara. We have not been engaged to audit the information provided. We have undertaken critical analysis of the information provided by the officers and other parties. Advisory Partner believes the information provided to be reliable, complete and not misleading and has no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming our opinion. Where Advisory Partner has relied on the views and judgement of Management the information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Clara has agreed to indemnify Advisory Partner and their partners, directors, employees, officers, and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by Clara, which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

Advisory Partner is a Corporate Authorised Representative of AP Lloyds Pty Ltd ACN 643 090 359 Australian Financial Services Licence 526061. As a corporate Authorised Representative of an Australian Financial services Licence, we are required to provide a Financial Services Guide in situations where we may be taken as providing financial product advice to retail clients. A copy of Advisory Partner Financial Services Guide is set out in the beginning of this Report.

## 2.4 Basis of evaluation

In forming our opinion as to whether or not the Proposed Transaction is fair and reasonable for the Shareholders of Clara, we have considered the following.

The Act does not define the expressions “fair” and “reasonable”. However, guidance is provided by the Regulatory Guides issued by ASIC, which establish certain guidelines in respect of independent expert’s reports required under the Act or commissioned voluntarily. In particular, RG 111 has been considered.

RG 111 draws a distinction between “fair” and “reasonable”. An offer is fair if the consideration is equal to or greater than the value of the securities subject to the offer. The comparison must be made assuming 100% ownership of the target company irrespective of the percentage holding of the party making the acquisition or its associates in the target company.

RG 111 considers an offer to be “reasonable” if:

- The offer is “fair”; or
- Despite not being “fair”, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher offer.

RG 111 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer including:

- The party’s pre-existing voting power in the target company;
- Other significant security holding blocks in the target;
- The liquidity of the market in the target’s securities;

- Taxation losses, cash flow or other benefits arising through achieving 100% ownership of the target;
- Any special value of the target;
- The likely market price if the offer is unsuccessful; and
- The value to an alternative offer and likelihood of an alternative offer being made.

In our opinion, the Proposed Transaction will be fair if the value is greater than the market value of the securities in Clara, inclusive of an appropriate premium for control.

In considering whether the Proposed Transaction is reasonable, other factors that have been considered include:

- Current financial performance and forecast performance;
- The likelihood of an alternative offer and alternative transactions;
- The likely market price of Clara shares in the absence of the offer; and
- Other advantages and disadvantages for Clara Shareholders of approving the Proposed Transaction.

We have not considered special value in forming our opinion. Special value is the amount which a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

## 2.5 Reliance on Information

This Report is based upon financial and other information provided by Clara. Advisory Partner has considered and relied upon this information. Advisory Partner believes the information provided to be reliable, complete and not misleading, and has no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable.

Clara has agreed to indemnify Advisory Partner, and the directors, partners and employees of Advisory Partner and any related entity against any claim arising out of misstatements or omissions in any material supplied by the Clara, its subsidiaries, directors or employees, on which Advisory Partner has relied.

Advisory Partner does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation. Preparation of this Report does not imply that Advisory Partner has audited in any way the financial accounts or other records of the Company.

It is understood that the accounting information provided to Advisory Partner was prepared in accordance with generally accepted accounting principles and except where noted, prepared in a manner consistent with the method of accounting used by the Company, in previous accounting periods.

An important part of the information base used in forming an opinion of the kind expressed in this report are the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

## 2.6 Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Accordingly, changes in those conditions



may result in any valuation opinions becoming quickly outdated and in need of revision. Advisory Partner reserves the right to revise any valuation, or other opinion, in the light of material information existing at the date of this Report that subsequently becomes known to Advisory Partner.

## 2.7 Sources of Information

Appendix A to this Report sets out details of information referred to and relied upon by Advisory Partner during the course of preparing this Report and forming our opinion.

## 2.8 Assumptions

In forming our opinion, the following has been assumed:

- All relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts and there are no alleged or actual material breaches of the same or disputes (including, but not limited to, legal proceedings), other than as publicly disclosed and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding, other than as publicly disclosed;
- That matters relating to title and ownership of assets (both tangible and intangible) are in good standing, and will remain so, and that there are no material legal proceedings, or disputes, other than as publicly disclosed;
- Information in relation to the Proposed Transaction provided to the Shareholders or any statutory authority by the parties as part of the Notice of Meeting is complete, accurate and fairly presented in all material respects;
- If the Proposed Transaction is accepted, it will be implemented in accordance with the Notice of Meeting and Resolution; and
- The legal mechanisms to implement the Proposed Transaction are correct and effective.

## 3.0 Business Environment

In arriving at our valuation opinion, we have considered the outlook for the Australian economy and the relevant industry affecting Clara operations.

### 3.1 Economic Analysis

While the economy has been subdued in 2023, the economy has proven resilient than expected, supporting better conditions for Australian businesses. The November outlook for growth has been revised up by the RBA compared to the August statement due to stronger than expected growth in private and public investment along with other factors have more than offset a weaker outlook for household consumption. However, higher interest rates, cost of living pressures and higher tax payable have impacted disposable incomes. Despite this, GDP growth is expected to increase from early next year reflecting stronger growth in household consumption and public demand.

Inflation is forecast to decline to 3.5% by the end of 2024, and further below 3% by 2025. Goods prices have accounted for majority of the decline in inflation to date and is expected to continue falling in the short-term. However, services inflation remains above target but is expected to gradually ease to the end of 2025. In the coming years it is expected there will be an improved balance in the supply and demand across the economy, including labour and product markets, which is expected to support lower inflation while GDP returns to growth.

The short-term outlook for employment growth has been revised higher due to stronger expected domestic activity and stronger growth in the working-age population. The labour market has greater spare capacity than in 2022 but remains at multi-decade lows. Employment growth is forecast to rise more gradually than forecast than previously at around 4.25% from late 2024 to 2025. There is expected to be greater balance in the supply and demand in the labour market to support the return to low and stable inflation as growth in domestic activity returns to trend.

The tightness of the labour market is driving robust nominal wages in the short-term. Wider measures of labour incomes are expected to outpace the wage price index (WPI), reflecting additional earnings growth with improvements in skills over time and the use of bonuses and other non-base wage payments to attract or retain staff.

The cash rate is projected to peak at 4.5% before declining to 3.5% by the end of 2025. This has been increased since the August statement. The exchange rate is assumed to remain unchanged at the current level.

The economic outlook is fairly positive going into 2024 as inflation and GDP are expected to trend a return to historical norms. These conditions may provide markets reasonable confidence that companies will continue to operate business as usual. As such, we do not believe that Clara will be adversely affected by these economic factors in the near future.

### 3.2 Coal Price Analysis

Clara commissioned Commodity Insights to undertake an independent marketability assessment of the coal products from the Ashford Coal Project ("**Ashford**") in New South Wales, which include a coking coal product and a thermal coal product.

Based on a specification provided by Clara, Ashford coking coal would be classified as Medium Volatile Bituminous Coal according to the ASTM1 classification methodology, and based on its predicted CSR range, it would be considered to be a Semi-Hard Coking Coal (SHCC).

Ashford coking coal properties were compared with products from Olive Downs, Isaac Downs, Daunia and Poitrel mines, all of which export semi-hard coking coals. This comparison showed that Ashford coking coal has ash content, rank, CSN, phosphorous content and ash chemistry all within the range of reference coals. It also has a low sulphur content comparable to many Australian export coking coals. Ashford's CSR is within the range of the reference coals, but just below the minimum value for the Asia-Pacific hard coking coal mid-vol.

Ashford coking coal does not meet the requirements of Argus's Asia-Pacific hard coking coal midvol in respect of CSR, and potentially ash and volatile contents. On that basis, it is Commodity Insights' view that Ashford coking coal would not achieve the same price relativity as the generic product. A more similar product to Ashford is

Poitrel coking coal, for which the CSR matches the mid-point of the Ashford range, and for which other properties are similar. Commodity Insights understands that Poitrel has traded at around 80% of the PLV HCC index.

On that basis, Commodity Insights estimates that, for the purposes of the scoping study, the relative price for Ashford coking coal can be assumed to be 80% of the PLV HCC index. Price forecasts for the index and for Ashford coking coal are tabled below.

| Nominal US\$/t            | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---------------------------|------|------|------|------|------|------|------|------|------|------|------|
| PLV HCC Index             | 240  | 220  | 220  | 222  | 228  | 235  | 241  | 248  | 255  | 263  | 270  |
| Ashford Coking Coal Price | 192  | 176  | 176  | 178  | 182  | 188  | 193  | 198  | 204  | 210  | 216  |

Source: Commodity Insights

Ashford thermal coal properties were compared with products from Hunter Valley Operations, Bengalla and Mount Thorley-Warkworth mines, all of which produce widely traded export thermal coals. Additionally, the properties of the generic globalCOAL products, gCNewc and HA Australia 5500 have been included as a reference for relative price determination. This comparison showed that Ashford thermal coal has energy and sulphur contents within the range of reference coals, ash content higher than that of the higher calorific value reference coals (and the maximum permissible value for gCNewc) and a significantly higher HGI value. At the lower end of its range, the volatile content for Ashford thermal coal is lower than that of all reference coals, and less than the minimum permissible values for both gCNewc and HA Australia 5500. At the upper end of its range, Ashford's volatile content is within the range required for HA Australia 5500.

As the calorific value for Ashford thermal coal exceeds the minimum requirement of 5850 kcal/kg NAR for gCNewc, it is Commodity Insights' view that its price expectation can be reasonably linked to the 6000 NAR Benchmark, albeit with a quality discount applied to take account of the higher ash and lower volatile contents.

In addition to the energy adjustment, it is estimated that at the upper end of the range of volatile matter range (24% adb), a quality discount of 10% would be applicable. As the combustibility of coal deteriorates as volatile content decreases, at the lower end of the volatile matter range (19% adb), the quality discount may increase to 15%. The estimated price relativities are summarised below.

| Property              | Energy Adjustment         | Quality Discount | Price Relativity to 6000 Benchmark |
|-----------------------|---------------------------|------------------|------------------------------------|
| Upper End of VM Range | $5890 \div 6000 = 98.2\%$ | 10%              | $98.2\% * 90\% = 88\%$             |
| Lower End of VM Range | $5890 \div 6000 = 98.2\%$ | 15%              | $98.2\% * 85\% = 83\%$             |

Source: Commodity Insights

Forecasts for the 6,000kcal NAR index and the upper and lower ranges for Ashford thermal coal (as per the methodology above) are tabled below:

| Nominal US\$/t                    | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|-----------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| 6,000kcal NAR Newcastle Index     | 157  | 157  | 152  | 147  | 151  | 156  | 160  | 165  | 170  | 175  | 180  |
| Ashford thermal coal price: upper | 139  | 139  | 134  | 130  | 134  | 138  | 142  | 146  | 150  | 155  | 159  |
| Ashford thermal coal price: lower | 131  | 131  | 127  | 123  | 126  | 130  | 134  | 138  | 142  | 146  | 150  |

Source: Commodity Insights

The natural market for Ashford coking coal would be the steel mills in India where stamp-charging is used extensively to produce high strength coke from weaker/non-prime coking coals. At the lower end of its ash range, Ashford coking coal could also be used in these and other mills to ameliorate higher ash content coals in coke blends.

For Ashford thermal coal, it would most likely be sold into China, which is the most common destination for 5500 NAR products. Additionally, market opportunities may present in south-east Asia, particularly Malaysia, which operates several power plants firing a wide range of coal qualities, and Vietnam. While opportunities for direct stand-alone sales into the power utility markets in Japan, Korea and Taiwan would be precluded on account of Ashford's high ash content (which is typically limited to a maximum of 17%), it is highly likely that it would be used as a component of blended cargoes assembled for these markets on account of its relatively high calorific value and low sulphur content.

## 4.0 Renison Coal Company Profile

### 4.1 Company overview

Renison Coal is a partially owned subsidiary of Savannah Goldfields (ASX:SVG). Renison Coal owns the Ashford coking coal project in New South Wales, producing a mid-volatile hard coking coal with high coke yield.

Savannah Goldfields Limited explores for, evaluates, and develops gold and coal tenements in Australia and New Zealand. The company holds 100% interest in the Agate Creek gold project covering an area of approximately 1,034 square kilometres located in north Queensland; and the New Zealand gold project, which comprises an exploration permit covering an area of 58 square kilometres situated in the Hauraki Goldfield. Savannah Goldfields is also the sole owner of Renison Coal Pty Ltd. The company was formerly known as Laneway Resources Limited and changed its name to Savannah Goldfields Limited in October 2022. Savannah Goldfields Limited was incorporated in 1986 and is based in Brisbane, Australia.

### 4.2 Project overview

The Ashford Project is owned by Renison Coal Pty Ltd. Renison is 40%-owned by Clara Resources Australia Ltd (ASX: C7A) (Clara or C7A) and 60%-owned by Savannah Goldfields Ltd (ASX: SVG) (Savannah or SVG). A binding agreement made in April 2021 provides Clara with an option to acquire Savannah's 60% holding. The acquisition option agreement expires in April 2024.

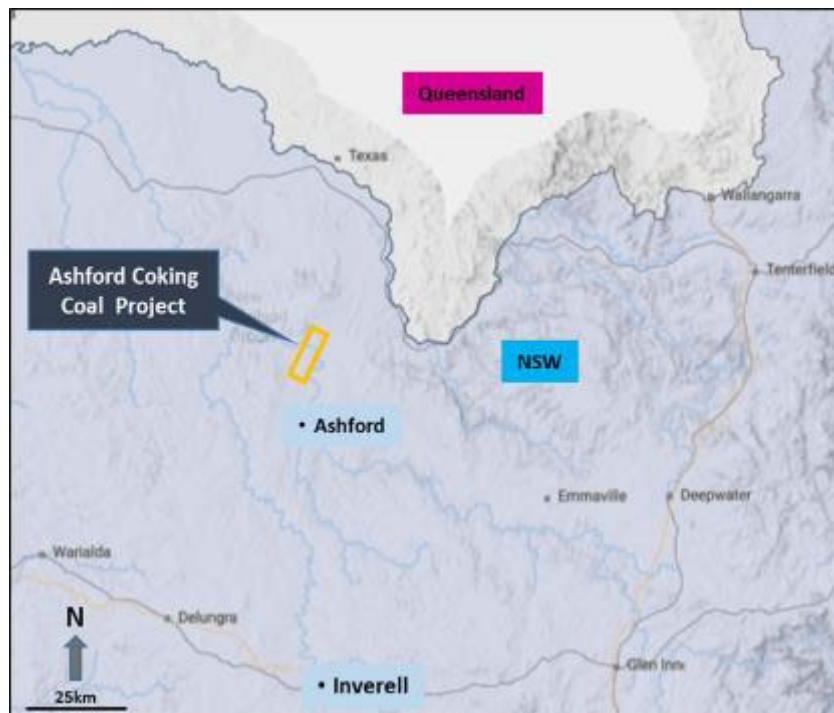


Figure 1 – Project Geographic Location

The Project is located within exploration licence tenements EL6234 and EL6428 in the Northern Tablelands of NSW, approximately 10km north of the Ashford township and 65km north of Inverell, a large regional centre. Ashford lies 750 km north of Sydney, 500km south-west of Brisbane, and is 430 metres above sea level. The tenement covers eight square kilometres of the Ashford Coal Measures, as shown in Figure 1.

The resource is situated in gently undulating topography adjacent the Severn River alluvial flats. Land use in the area is grazing and some crop farming.

The Ashford Deposit was mined by opencut methods between 1958 and 1985, providing raw coal to the adjacent

Ashford Power Station. Mining ceased in the period coinciding with the permanent closure of the power station. Whilst Ashford run-of-mine raw coal was supplied to the power station its characteristics are those of coking coal. Distance from export facilities and lack of transport infrastructure limited development of the deposit for the export market.

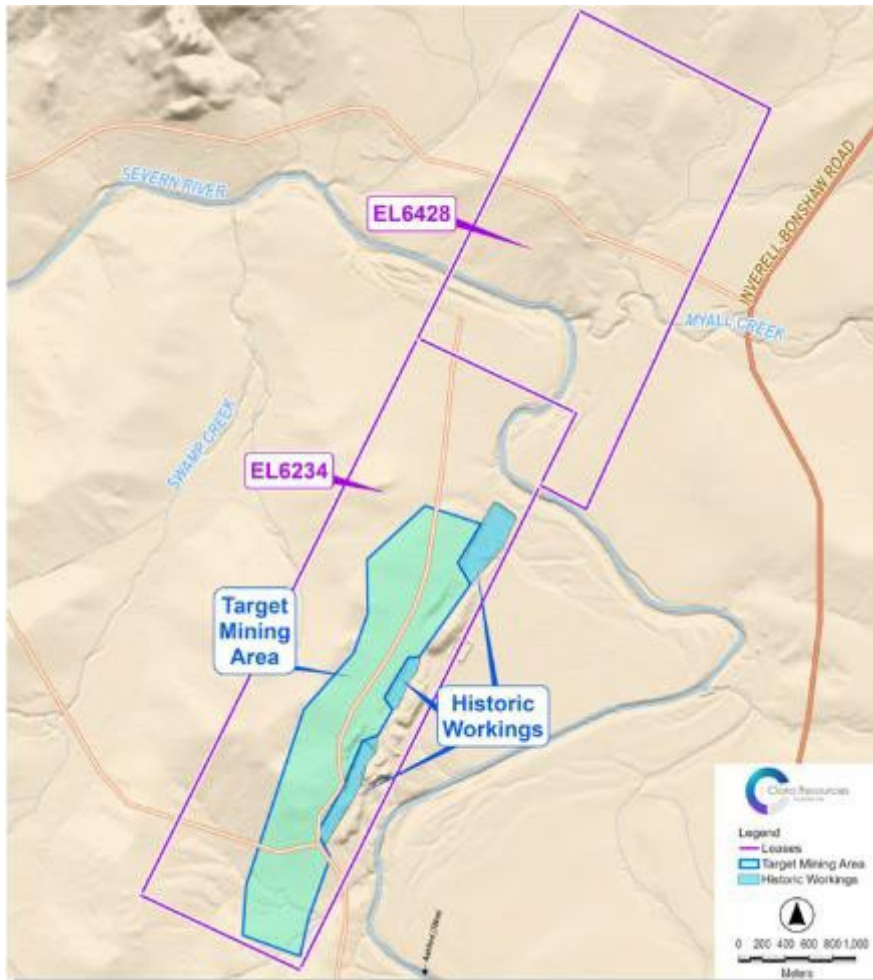


Figure 2 – Tenement Plan

The company considers that two (2) external and significant developments give confidence to progress further studies into the economic viability of the Project:

- i. The Australian Rail Track Corporation (ARTC) proceeding with the Inland Rail Project connecting Brisbane and Melbourne, providing an efficient rail connection to Newcastle Port via the Hunter Valley Coal Rail System. The upgraded rail line will be within 120km of the Ashford Project, a potentially viable trucking distance.
- ii. Sustained uplift in the global traded coking coal price. Independent forecasts consistently predict increased global demand for steel, with implications for the coking coal price range that could make the sale of coking coal from Ashford economically viable.



### 4.3. Project Area and Tenements

The Ashford Project comprises two (2) exploration tenements, EL6234 and EL6428. Both areas comprise geological features that provide potential opportunities for relatively shallow open cut coal mining.

| Tenure No.    | Status  | Date Granted | Expires    | Holder               |
|---------------|---------|--------------|------------|----------------------|
| <b>EL6234</b> | Granted | 38096        | 19/04/2026 | Renison Coal Pty Ltd |
| <b>EL6428</b> | Granted | 38510        | 07/06/2025 | Renison Coal Pty Ltd |

Source: Clara Resources

All historical mining and majority of exploration has occurred on EL6234. It contains all the JORC inferred & indicated resource. All high level geological and mine conceptual work has to date been confined to this area indicating the existence of an economically recoverable and marketable resource. EL6234 is therefore the Project target area, and the central point of the scoping study. EL6234 will also define and underpin the planned mining lease application.

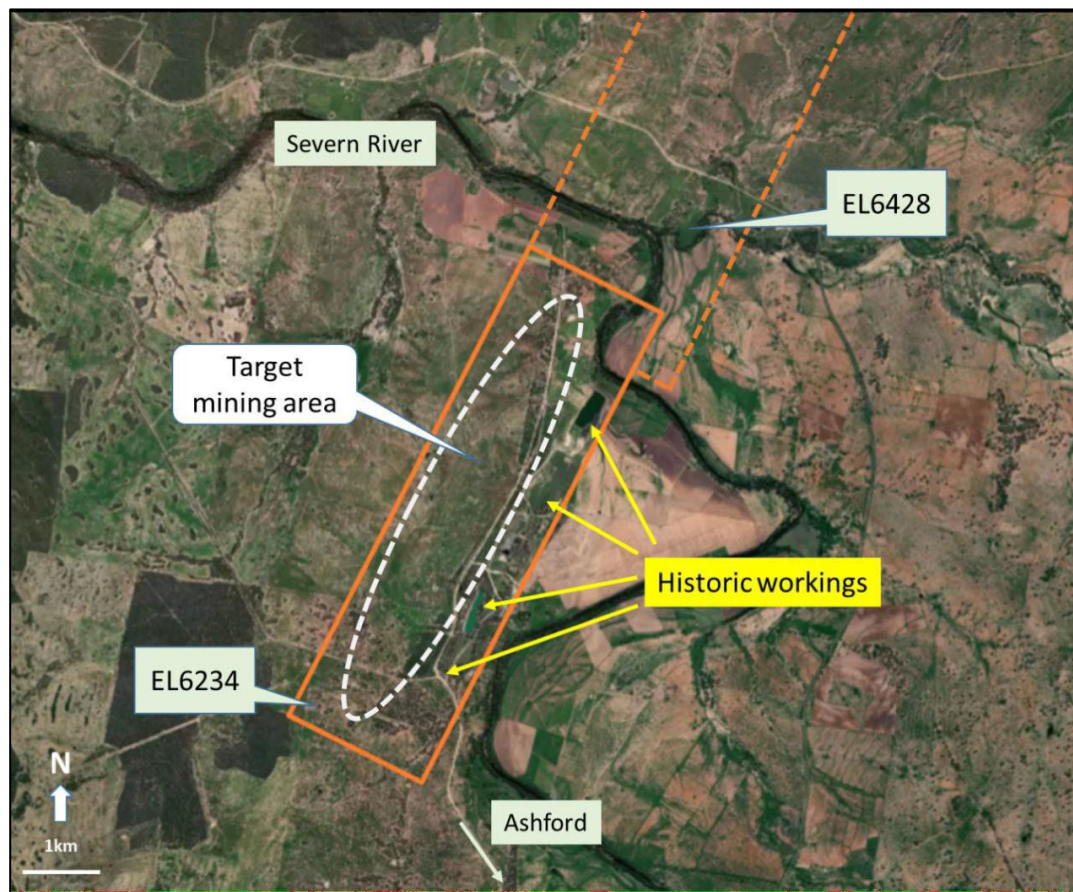


Figure 4 – Project area

EL6428, to the north, will be retained on foot as an exploration tenement. Subject to the results of future exploration programs and the usual project approval processes, this area could in future be developed as an Ashford expansion or continuation Project.

Both EL6234 and EL6428 share boundaries with EL6450, a coal exploration tenement licensed to Whitehaven

Coal Ltd. Refer Figure 5. No meaningful discussions have yet been held with Whitehaven about their intentions to develop EL6450 and how this may create synergy opportunities with Clara's development of Ashford.



**Figure 5 – Whitehaven tenement EL6450**

#### 4.4. Mining and Exploration History

Coal was first discovered near Ashford in 1884 by John McDonald who noticed an exposure in the bed of a tributary of the Severn River near the Project Clara. The deposit was mined using underground methods in the early part of the 20th century with the coal being used for metallurgical smelting at the "Silver Spur Mine" near Texas on the Queensland border. Mining was abandoned in 1925 after producing no more than 2000 tonnes.

In 1944 the holder of the mining rights of the area at that time (a Mr White) drilled nine holes to locate the concealed outcrop of the Ashford seam at a relatively shallow depth. Results from that drilling were viewed "with reservations" by the State Bureau of Mineral Resources (BMR) as the logging was not by a qualified person and owing to the difficulty of distinguishing coal from carbonaceous shale in fine cuttings.

Between 1948 and 1950 drilling by BMR intersected coal over a 3km strike length, centered on the old colliery workings. The BMR also conducted a gravity survey over the area. Subsequent drilling in 1956 by the Joint Coal Board outlined adequate reserves for the North-West Country Council to build a small power station and mining commenced in 1958.

In 1976 the council transferred the Mining Leases to White Industries Limited who operated the colliery until 1996. Power generation continued up until 1997 when the station was determined uneconomic to operate.

White Industries (WIL) and Earth Resources of Australia (ERA) drilled 20 holes in the 70's. In 1976 a study was undertaken to ascertain the quality of the Ashford Seam. The study revealed the Power Station was in fact burning premium quality coking coal. Further drilling by WIL in 1987 found the accepted model for reserves for the Ashford Coal measures under-estimated the reserve/resource of

coal available. The drilling demonstrated that the Ashford Coal Measures continue west under the granite over-thrust and that coal quality was unaffected by the Severn Fault in this area. Cross-sections modelled after further drilling shows the seam dip angle decreases from 25-35 degrees to 15-20 degrees. Consequently reserve/resource estimations were up graded from 2Mt to in excess of 10Mt of steaming and coking coal with further potential to expand the resource.

The Northern Energy Corporation and Renison Joint venture commenced drilling in 2005, completing 120 holes by October 2012.

| Company  | # Holes | Date      | Total Metres | Cored Metres |
|----------|---------|-----------|--------------|--------------|
| Mr White | 9       | 1940's    | NA           | NA           |
| BMR      | 15      | 1949-1950 | NA           | NA           |
| JCB      | 4       | 1950's    | 452          | 362          |
| WIL      | 9       | 1970's    | NA           | 54           |
| ERA      | 11      | 1970's    | NA           | NA           |
| ERA      | 15      | 1976      | NA           | 40           |
| WIL      | 12      | 1987      | 1871         | 127          |
| NEC      | 40      | 2005      | 5722         | 1073         |
| NEC      | 73      | 2006      | 11355        | 519          |
| NEC      | 2       | 2007      | 258          | 11           |
| NEC      | 5       | 2012      | 650          | 0            |

Source: Clara Resources

Figure 6 – Historical exploration drilling

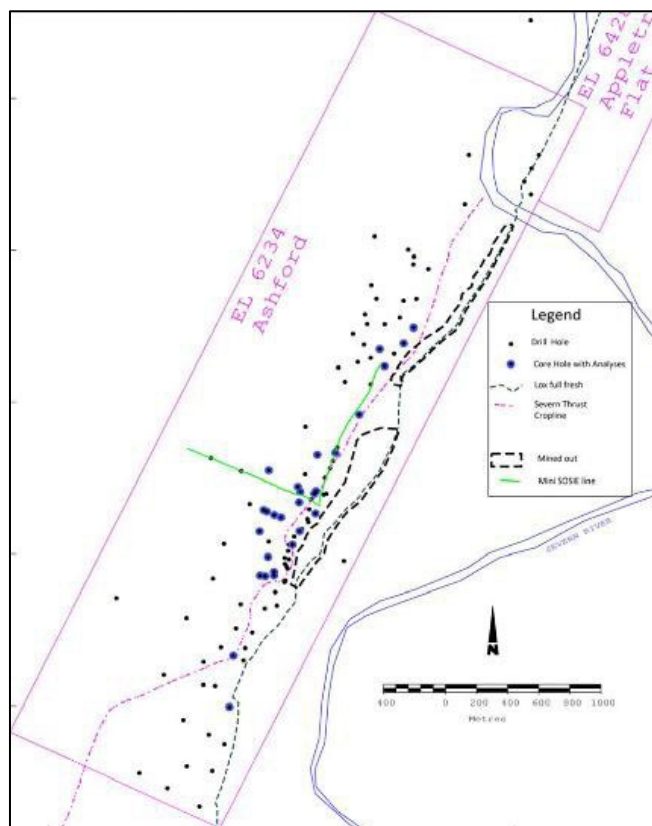


Figure 7 – Drill hole locations



## 4.5. Regional Geology

The Permian Ashford Coal Measures are expressed as a narrow (< 10km wide) 80 km long basin, stretching from the Queensland border in the north to Inverell in the south, uncomfortably overlying a highly deformed Carboniferous age marine sediments (Texas beds) basement.

The coal measures may have been deposited in a west dipping half graben. The western margin of the coal measures is marked by a prominent west over east thrust fault– the Severn Thrust resulting in Carboniferous rocks overlying the Permian sediments. Intruding the overthrust Carboniferous rocks is a leucogranite intrusive of the New England Batholith.

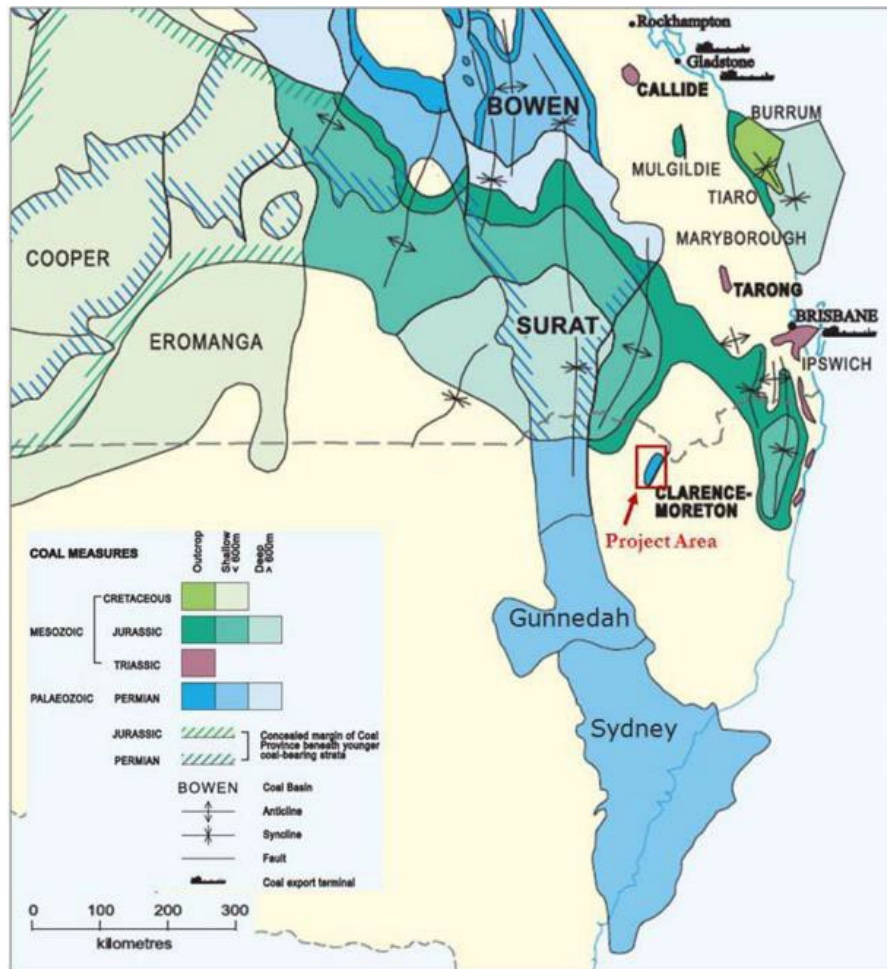


Figure 7 – Coal basins in SE Qld and NSW

## 5.0 Valuation of Initial Offer

The initial offer for stage-two is displayed in the tables of section 5.1. We have used a 9.77% discount rate to calculate the present cost of future payments for stage-two of the acquisition. The calculations for the discount rate can be seen in Appendix C.

### 5.1 Initial Share Agreement Offer

| Current Agreement Payments          | 2024         | 2025    | 2026       | 2027       | 2028       |
|-------------------------------------|--------------|---------|------------|------------|------------|
| Option Acquisition Payments         | \$ 7,000,000 |         |            |            |            |
| Product Sold                        |              |         | 0.90       | 0.36       | 1.02       |
| Royalty rate, \$/tonne product sold | \$ 0.50      | \$ 0.50 | \$ 0.50    | \$ 0.50    | \$ 0.50    |
| Royalty Paid                        | \$ -         | \$ -    | \$ 450,143 | \$ 177,857 | \$ 511,000 |
| Total Payments                      | \$ 7,000,000 | \$ -    | \$ 450,143 | \$ 177,857 | \$ 511,000 |

Source: Clara & AP Analysis

| 2029       | 2030       | 2031       | 2032       | 2033       | 2034       | 2035       | 2036       | 2037       |
|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 1.02       | 0.96       | 0.89       | 0.89       | 0.84       | 0.64       | 0.60       | 0.50       | 0.30       |
| \$ 0.50    | \$ 0.50    | \$ 0.50    | \$ 0.50    | \$ 0.50    | \$ 0.50    | \$ 0.50    | \$ 0.50    | \$ 0.50    |
| \$ 507,862 | \$ 477,717 | \$ 443,462 | \$ 444,835 | \$ 420,000 | \$ 320,000 | \$ 300,000 | \$ 250,000 | \$ 150,000 |
| \$ 507,862 | \$ 477,717 | \$ 443,462 | \$ 444,835 | \$ 420,000 | \$ 320,000 | \$ 300,000 | \$ 250,000 | \$ 150,000 |

Source: Clara & AP Analysis

| Cost of Payments |             |
|------------------|-------------|
| NPC              | \$9,435,461 |
| Cost of Capital  | 9.77%       |

Source: Clara & AP Analysis

The estimated present cost of future payments totalled **\$9,435,461** for stage-two of the initial offer given a 9.77% discount rate.

## 6.0 Clara Resources Company Profile

### 6.1 Company overview

Clara Resources Australia engages in mineral exploration business in Australia. It explores for coal, nickel, gold, copper, and cobalt deposits. The company was formerly known as Aus Tin Mining Limited and changed its name to Clara Resources Australia Ltd in October 2022. Clara Resources Australia Ltd was incorporated in 2006 and is based in Brisbane, Australia.

It explores for coal, nickel, gold, copper, tin, cobalt, silver, lithium, tungsten, molybdenum, and rubidium deposits. The company holds a 40% interest in the Ashford Coking Coal project that consists of two granted exploration licenses located north of the Ashford township in northern New South Wales. It also holds interest in the Granville Tin and Kildanga projects; the Emmaville and Torrington tin projects; and the Queensland projects, which include the Kilkivan project located southwest of Gympie, and MT cobalt and Pembroke projects.

### 6.2 Capital Structure

#### Clara Resources Issued Capital

| Clara Resources Issued Capital |                    |
|--------------------------------|--------------------|
| Ordinary Shares                | 189,039,038        |
| <b>Total</b>                   | <b>189,039,038</b> |

Source: Capital IQ

## 6.3 Consolidated Statements of Comprehensive Income

The table below illustrates the Company's consolidated statements of comprehensive income.

### Clara Resources Consolidated Statements of Comprehensive Income

| Income Statement (\$'s)                                         | FY22               | FY23               |
|-----------------------------------------------------------------|--------------------|--------------------|
| <b>Continuing Operations</b>                                    |                    |                    |
| Share of losses associate accounted for using the equity method | -686,198           | -1,360,368         |
| Other income                                                    | 5,000              | 28,000             |
| Interest revenue                                                | 536                | 2,608              |
| Convertible note fair value movement                            | 146,821            | 0                  |
| <b>Total Income</b>                                             | <b>-533,841</b>    | <b>-1,329,760</b>  |
| <b>Expenses</b>                                                 |                    |                    |
| Administration and consulting expense                           | -614,808           | -767,147           |
| Employee Benefit Expense                                        | -349,278           | -951,010           |
| Depreciation and Amortisation Expenses                          | -44,124            | -19,860            |
| Impairment of exploration costs                                 | -5,815,934         | 0                  |
| Loss on disposal of assets                                      | 0                  | -1,004             |
| Exploration costs written off                                   | -5,595             | -53,594            |
| Legal expenses                                                  | -76,671            | -99,276            |
| Management fees                                                 | -112,000           | -317               |
| Other Granville operating costs                                 | -90,848            | -77,968            |
| Impairment - Investment in associate                            | -14,519,821        | -6,594,440         |
| Other expenses                                                  | -174,541           | -160,343           |
| Finance costs                                                   | -2,267             | -6,020             |
| <b>Total Expenses</b>                                           | <b>-21,805,887</b> | <b>-8,730,979</b>  |
| <b>Loss Before Tax from Continuing Operations</b>               | <b>-22,339,728</b> | <b>-10,060,739</b> |
| Income Tax Expense/benefit                                      | 9,433,962          | -60,065            |
| <b>Loss for the Year from Continuing Operations</b>             | <b>-12,905,766</b> | <b>-10,120,804</b> |
| Profit/Loss for the year from Discontinued Operations           | 17,103,622         | 0                  |
| <b>Total Comprehensive Loss for the Year</b>                    | <b>4,197,856</b>   | <b>-10,120,804</b> |

Source: Clara Resources Annual Reports

## 6.4 Consolidated Statement of Financial Position

The table below illustrates the Clara Resources consolidated statement of financial position as at 30<sup>th</sup> of June 2023.

### Clara Resources Consolidated Statements of Financial Position

| Balance Sheet                                                           | 30-Jun<br>2022    | 30-Jun<br>2023    |
|-------------------------------------------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                                                           |                   |                   |
| <b>Current Assets</b>                                                   |                   |                   |
| Cash and Cash Equivalents                                               | 674,697           | 1,815,943         |
| Trade and Other Receivables                                             | 49,752            | 159,327           |
| Assets of disposal groups classified as held for sale                   | 0                 | 734,037           |
| <b>Total Current Assets</b>                                             | <b>724,449</b>    | <b>2,709,307</b>  |
| <b>Non-Current Assets</b>                                               |                   |                   |
| Investments accounted for using the equity method                       | 18,934,595        | 10,979,787        |
| Property, Plant and Equipment                                           | 258,047           | 96,049            |
| Other Assets                                                            | 735,697           | 92,697            |
| <b>Total Non-Current Assets</b>                                         | <b>19,928,339</b> | <b>11,168,533</b> |
| <b>Total Assets</b>                                                     | <b>20,652,788</b> | <b>13,877,840</b> |
| <b>LIABILITIES</b>                                                      |                   |                   |
| <b>Current Liabilities</b>                                              |                   |                   |
| Trade and Other Payables                                                | 176,161           | 598,961           |
| Lease Liabilities                                                       | 11,174            | 0                 |
| Liabilities directly associated with assets classified as held for sale | 0                 | 633,362           |
| <b>Total Current Liabilities</b>                                        | <b>187,335</b>    | <b>1,232,323</b>  |
| <b>Non-Current Liabilities</b>                                          |                   |                   |
| Lease Liabilities                                                       | 41,904            | 0                 |
| Provisions                                                              | 628,335           | 0                 |
| <b>Total Non-Current Liabilities</b>                                    | <b>670,239</b>    | <b>0</b>          |
| <b>Total Liabilities</b>                                                | <b>857,574</b>    | <b>1,232,323</b>  |
| <b>Net Liabilities</b>                                                  | <b>19,795,214</b> | <b>12,645,517</b> |
| <b>Equity</b>                                                           |                   |                   |
| Issued Capital                                                          | 34,268,194        | 37,090,290        |
| Reserves                                                                | 1,708,001         | 1,857,012         |
| Accumulated Losses                                                      | -16,180,981       | -26,301,785       |
| <b>Total (Deficiency of) Equity</b>                                     | <b>19,795,214</b> | <b>12,645,517</b> |

Source: Clara Resources Annual Reports

## 7.0 Valuation of Amended Offer

Set out in Appendix C is a summary of the method we have considered while arriving at our discount rate and applied it to the future payments set out in the amended offer.

### 7.1 Amended Offer

| Amended Agreement Payments (Feb 24) | 2024                | 2025              | 2026                | 2027              | 2028              |
|-------------------------------------|---------------------|-------------------|---------------------|-------------------|-------------------|
| Upfront Payment                     | \$ 2,375,000        |                   |                     |                   |                   |
| Upfront Share Consideration         | \$ 110,000          |                   |                     |                   |                   |
| Deferred Consideration              | \$ 342,500          | \$ 342,500        |                     |                   |                   |
| Subscription Agreement              | \$ 375,000          |                   |                     |                   |                   |
| Contingent Payments                 |                     | \$ 400,000        | 400,000             |                   |                   |
| Product Sold                        |                     |                   | 0.90                | 0.36              | 1.02              |
| Royalty rate, \$/tonne product sold | \$ 0.75             | \$ 0.75           | \$ 0.75             | \$ 0.75           | \$ 0.75           |
| Royalty Paid                        | \$ -                | \$ -              | \$ 675,214          | \$ 266,786        | \$ 766,500        |
| <b>Total Payments</b>               | <b>\$ 3,202,500</b> | <b>\$ 742,500</b> | <b>\$ 1,075,214</b> | <b>\$ 266,786</b> | <b>\$ 766,500</b> |

Source: Clara & AP Analysis

| 2029              | 2030              | 2031              | 2032              | 2033              | 2034              | 2035              | 2036              | 2037              |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 1.02              | 0.96              | 0.89              | 0.89              | 0.84              | 0.64              | 0.60              | 0.50              | 0.30              |
| \$ 0.75           | \$ 0.75           | \$ 0.75           | \$ 0.75           | \$ 0.75           | \$ 0.75           | \$ 0.75           | \$ 0.75           | \$ 0.75           |
| \$ 761,793        | \$ 716,576        | \$ 665,192        | \$ 667,252        | \$ 630,000        | \$ 480,000        | \$ 450,000        | \$ 375,000        | \$ 225,000        |
| <b>\$ 761,793</b> | <b>\$ 716,576</b> | <b>\$ 665,192</b> | <b>\$ 667,252</b> | <b>\$ 630,000</b> | <b>\$ 480,000</b> | <b>\$ 450,000</b> | <b>\$ 375,000</b> | <b>\$ 225,000</b> |

Source: Clara & AP Analysis

| Cost of Payments |                    |
|------------------|--------------------|
| <b>NPC</b>       | <b>\$7,864,105</b> |
| Cost of Capital  | 9.77%              |

Source: Clara & AP Analysis

The Net Present Cost (NPC) of the amended offer is **\$7,864,105** for stage 2 of the acquisition given a 9.77% discount rate as per the workings shown in Appendix C.

## 8.0 Assessment of Fairness

### 8.1 Initial Offer vs Amended Offer

We have compared the initial offer and amended offer to determine if the offer is fair for the shareholders of Clara.

| Stage-Two Present Cost of Payments |                    |
|------------------------------------|--------------------|
| Initial Offer                      | \$9,435,461        |
| Amended Offer                      | \$7,864,105        |
| <b>Reduction in Payment</b>        | <b>\$1,571,357</b> |
| Difference                         | 17%                |

*Source: AP Analysis*

The present value for stage-two of the amended offer is **\$1,571,357** less than the initial offer. Given this is a 17% cost saving to the initial offer, Advisory Partner deems the transaction as fair.



## 9.0 Assessment of Reasonableness

As demonstrated above, the value of Clara's consideration for the project has decreased significantly, resulting in Advisory Partner's conclusion that the transaction is fair.

### Reasonableness

Regulatory Guide 111 "Content of Expert Reports" ("RG 111") establishes that if an offer is "fair" it is also "reasonable".

To further assist the Shareholders in their decision-making process we have summarised the following:

- The likely advantages and disadvantages associated with the Proposed Transaction; and
- Alternatives, including the position of Shareholders if the Proposed Transaction does not proceed.

The Shareholders of Clara should read the full Report, where their matters are explained in more details.

### Advantages of Approving the Proposed Transaction

Set out below is a summary of the key advantages to the Shareholders:

- **Ashford Coal Project**  
With approval of the transaction, Clara Resources gains an avenue to actively partake in the Ashford Coal Project at a lower purchase price.
- **Cost Reduction**  
The substantial reduction in payment costs, by 17% under the amended offer presents an immediate and tangible financial benefit to shareholders.
- **Reduced Risk**  
The transaction will reduce the upfront payment for the project and increase the royalties paid. What this means is that the royalties will only be payable once the mine is producing coal rather than payments to purchase the mine before the mine is producing.

### Disadvantages of Approving the Proposed Transaction

Set out below is a summary of the key disadvantages to the Shareholders:

- **Dilution of Interest**  
The offer will result in the likely future dilution of the shareholders as capital raisings will be required to fund the project. This dilution could stem from the necessity of future capital raisings to sustain the financial requirements of the project. Shareholders might face the challenge of reduced ownership percentage and potential impact on their overall influence in the company's decision-making processes.
- **Royalty Payments**  
The amended offer increases the royalty paid out to Savannah Goldfield. This rise in outgoing payments directly affects the net returns generated from the project, potentially impacting the overall profitability of the venture. The heightened royalty payments could pose a financial challenge to Clara Resources, necessitating careful consideration of the long-term financial implications of the agreement.

### Other Considerations

- **Value of Project**  
The value of the Ashford Coal Project may have decreased since the initial offer was made; shareholders need to consider the change in value during the acquisition period.
- **Coal Price**

The price of coking coal is a significant factor to the value of the project. It will impact the cash flow to shareholders and royalty payments paid to Savannah Goldfields.

In our opinion, the advantages of the Proposed Transaction outweigh the disadvantages to the Shareholders of Clara and as such we are of the opinion that the Proposed Transaction is reasonable.

#### **Shareholder circumstances**

Advisory Partner has not considered the effect of the Proposed Transaction on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of Proposed Transaction from that adopted in this Report. Accordingly, individuals may reach different conclusions as to whether or not the Proposed Transaction is in their individual best interests. The decision of an individual Shareholder in relation to the Proposed Transaction may be influenced by their particular circumstances (including their taxation position) and accordingly, Shareholders are advised to seek their own independent advice.

#### **Other matters**

This Report has been requested by Clara Directors to assist the Shareholders in their decision to accept or reject the Proposed Transaction.

This Report should not be used for any other purpose and Advisory Partner does not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

This opinion should be read in conjunction with the full text of this report which sets out our findings.

# Glossary of Terms

## Glossary of Terms

| Term                  | Meaning                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| \$                    | Australian Dollar.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| AASB                  | Australian Accounting Standards Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| AFSL                  | Australian Financial Services Licence.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Amended Offer         | The offer detailed in section 7.0.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| AP or we or us or our | Advisory Partner Connect Pty Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| ASIC                  | Australian Securities and Investment Commission.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| ASX                   | Australian Securities Exchange.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| AUASB                 | Australian Auditing and Assurance Standards Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Control Premium       | Control premium refers to an amount that a buyer is willing to pay in excess of the fair market value of shares in order to gain a controlling ownership interest.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Corporations Act      | Corporations Act, 2001 (Cth).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| DCF                   | Discounted Cash Flow, the process of valuing an investment property or asset by undertaking an estimation of future cash flows and taking into account the time value of money. Income is projected over the investment cycle and the net income is arrived at after deducting capital, operating, and other necessary expenses. The Discounted Cash Flow Method evaluates the amount that someone is willing to pay today in order to receive the anticipated cash flow in the future. It uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business and opportunity costs of capital. |
| Dilution              | The decrease in existing shareholders' ownership percentage of a company as a result of the company issuing new equity.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Directors             | The company directors of Clara.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Discount Rate         | The rate of return is used in business valuations of a company in converting a series of future anticipated cash flows to the present value of the business using the discounted cash flow method.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Engagement            | Our engagement by the Directors of Clara to prepare this Report in connection with the Transaction.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Free Float            | The shares of a company that can be publicly traded and are not restricted (ie., held by insiders).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| FSG                   | Financial Services Guide.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| FY                    | Financial Year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Going Concern         | A company that is financially stable enough to meet its obligations and continue its business for the foreseeable future.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| HY                    | Half Year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Insolvency            | A company is insolvent if it is unable to pay its debts when they fall due.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Issued Capital        | The amount of nominal value of share held by the shareholders.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Liquidity             | The ease in which an asset or security can be converted into ready cash without affecting its market price.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

|                                            |                                                                                                                                          |
|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Management</b>                          | Clara management.                                                                                                                        |
| <b>Savannah</b>                            | Savannah Goldfields Limited (ASX: LNY)                                                                                                   |
| <b>Shareholders</b>                        | Shareholders of Clara other than those associated with the proposed Transaction.                                                         |
| <b>NPV</b>                                 | Net Present Value.                                                                                                                       |
| <b>Options</b>                             | An option is an agreement or contract that gives someone the right to buy or sell something such as property or shares at a future date. |
| <b>PIPE</b>                                | Private investment in public equity                                                                                                      |
| <b>Renison</b>                             | Renison Coal Pty Ltd                                                                                                                     |
| <b>Report or IER</b>                       | This independent expert's report.                                                                                                        |
| <b>RG</b>                                  | Regulatory Guide.                                                                                                                        |
| <b>RG 111</b>                              | Regulatory Guide 111 "Content of Expert Reports".                                                                                        |
| <b>RG 74</b>                               | Regulatory Guide 74 "Acquisitions Agreed to by Shareholders".                                                                            |
| <b>Subsidiary or Subsidiaries</b>          | The company's owned and controlled by Clara                                                                                              |
| <b>The Act</b>                             | The Corporations Act 2001                                                                                                                |
| <b>Clara or the Company</b>                | Clara Resources Australia Limited                                                                                                        |
| <b>Transaction or Proposed Transaction</b> | The offer of the acquisition                                                                                                             |

## Appendix A: Sources of Information

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

- Audited Annual Reports of Clara Resources for the years ended 30 June 2023;
- Details of Clara Resource's shareholders and share register as at 30<sup>th</sup> June 2023;
- Meeting with management and management working papers in relation to the Proposed Transaction;
- Statement on Monetary Policy, Reserve Bank of Australia, November 2023;
- Clara Resource's website;
- Draft Subscription Agreement between Clara Resources and Savannah Goldfields;
- Draft EGM Notice of Meeting and Explanatory Memorandum;
- Binding Term Sheet between Clara Resources Australia and Savannah Goldfields Limited 14<sup>th</sup> of Feb 2024;
- S&P Capital IQ; and
- other publicly available information on Clara.

In addition to the above, Advisory Partner has had various discussions with the management, officers and advisers of Clara regarding the nature of the businesses, their operations, financial position and prospects.

## Appendix B: Qualifications, Declarations, and Consents

### Qualifications

Advisory Partner provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and schemes of arrangements. Advisory Partner's Director has prepared a number of public expert's reports.

The principal person responsible for preparing this Report on behalf of Advisory Partner is Brett Plant, BBus, MCom, FCA, he is a Director of Advisory Partner. Mr Plant has been actively involved in the preparation of this report. Mr Plant has in excess of 20 years experience in the commerce and the accountancy profession and has been involved in specialist corporate advisory services including company valuations, business sales, due diligence investigations, independent experts' reports as well as other corporate investigations for more than 10 years. Mr Plant has the appropriate experience and professional qualifications to provide the advice offered.

### Declarations

It is not intended that this Report should be used or relied upon for any purpose other than as an expression of Advisory Partner's opinion as to whether the Proposed Transaction is fair and reasonable and in the best interests of the Shareholders of Clara as a whole. Advisory Partner expressly denies any liability to any Shareholder who relies or purports to rely on this Report for any other purpose and to any other party who relies or purports to rely on this Report for any purpose.

This Report has been prepared by Advisory Partner with care and diligence and the statements and opinions given by Advisory Partner in this Report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Advisory Partner or any of its directors, officers or employees for errors or omissions however arising in the preparation of this Report, provided that this shall not absolve Advisory Partner from liability arising from an opinion expressed recklessly or in bad faith (unless the law otherwise requires).

### Independence

Advisory Partner is entitled to receive a fee between \$15,000 - \$20,000 (exclusive of GST) for the preparation of this Report. Advisory Partner is also entitled to be reimbursed for any out-of-pocket expenses incurred in the preparation of this Report. Except for this fee and the reimbursement of these expenses, Advisory Partner has not received and will not receive any pecuniary or other benefit, whether direct or indirect, in connection with the preparation of this Report.

Neither the signatory to this Report nor Advisory Partner holds securities in Clara. No such securities have been held at any time over the last two years.

Neither the signatories to this Report nor Advisory Partner have had within the past two years any business relationship material to an assessment of Advisory Partner's impartiality with in Clara, or its associates.

Prior to accepting this engagement, Advisory Partner considered its independence with respect to Clara and any of its respective associates with reference to ASIC Regulatory Guide 112 entitled "Independence of Experts". In Advisory Partner's opinion, it is independent of in Clara and its associates.

A draft of this Report was provided to Clara 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 and there was no alteration to the methodology, evaluation or opinions set out in this Report as a result of issuing the draft.

### Indemnity

Under the terms of our engagement, Clara has agreed that no claim shall be made by Clara or any of its subsidiaries against Advisory Partner, any of their directors, officers, partners, employees or agents (Indemnified Persons) to recover any loss or damage which Clara or any of its subsidiaries may suffer by reason of or arising out of anything done or omitted in relation to the provision of the services by Advisory Partner, provided that such loss or damage does not arise from the negligence or willful default of any of the Indemnified Persons. Clara has unconditionally indemnified Advisory Partner and their respective officers, employees and agents against any losses, claims, damages, liabilities, costs, expenses and outgoings whatsoever (Losses) which they may suffer or incur directly or indirectly arising out of:

- Advisory Partner relying on information provided by Clara or any of its employees, agents or advisers; or
- Clara failing to provide Advisory Partner with material information in relation to the Proposed Transaction.

Further, Clara must pay and must indemnify Advisory Partner against any Losses in relation to any investigations, enquiries or legal proceedings by ASIC or any other competent regulatory body arising out of, or in connection with, the Proposed Transaction, including reasonable legal expenses and disbursements incurred by Advisory Partner and fees payable to Advisory Partner attributable to time reasonably spent by its staff assessed at its hourly rates to the extent that investigation, enquiry or legal proceeding is not caused by an act or omission of the Indemnified Persons.

## Consents

Advisory Partner consents to the issuing of this Report in the form and context in which it is to be included in the Notice of Meeting of the Extraordinary General Meeting. Neither the whole nor any part of this Report nor any reference thereto may be included in, or attached to, any other document without the prior written consent of Advisory Partner as to the form and context in which it appears.

Advisory Partner takes no responsibility for the content of the Notice of Meeting and Extraordinary General Meeting, or any other documents provided to the Shareholders, other than this Report.

## Other

The opinion of Advisory Partner is made at the date of this Report and reflects circumstances and conditions as at that date. In particular, Advisory Partner provides no representations or warranties in relation to the future value of shares of Clara.

Shareholders who are in any doubt as to the action they should take should consult their own independent professional advisers.

Advisory Partner has prepared a Financial Services Guide as required by the Act. The Financial Services Guide is set out at the beginning of this Report.

## Appendix C: Discount Rate

### Overview

When applying the discounted cash flow method, the cash flows expected to be generated by an asset are discounted to their present value by using a discount rate that reflects the relative risk of the investment, as well as the time value of money.

Selection of an appropriate discount rate to apply to the forecast cash flows of a company fundamentally is a matter of judgment. There is a formulaic approach that can and is derived by theory; however, a mechanistic application of financial theory can result in a discount rate that is not applicable in reality. Hence, it should be stressed that there is no "correct" discount rate. Despite the growing acceptance and application of various theoretical models, many company may rely on less sophisticated approaches and use relatively arbitrary "hurdle rates" which do not vary significantly over time despite interest rate movements.

The discount rate that Advisory Partner have adopted as a crosscheck to the discount rate used in the Colliers Valuation report is reasonable relative to the rates derived from theoretical models and has been based on a WACC.

There are three main considerations to the determination of an appropriate WACC, namely cost of equity, cost of debt and debt/equity mix.

The cost of equity was derived from the Capital Asset Pricing Model ("CAPM") methodology. The CAPM is probably the most widely accepted and used methodology for determining the cost of equity capital. However, while the theory underlying the CAPM is rigorous, the practical application is subject to shortcomings and limitations and the results of applying the CAPM model should only be regarded as providing a general guide.

### Weighted Average Cost of Capital (WACC)

To ensure consistency with the cash flow projections of CLARA, the WACC should be on a nominal post tax basis. The standard formula used to calculate a nominal post tax WACC under a dividend imputation system is given by:

$$WACC = r_e \frac{E}{V} + r_d \frac{D}{V} (1 - t_c(1 - \gamma))$$

Where:

|          |                                             |
|----------|---------------------------------------------|
| V        | sum of debt and equity values;              |
| E        | value of equity;                            |
| D        | value of debt;                              |
| Re       | cost of equity;                             |
| Rd       | cost of debt;                               |
| $t_c$    | the corporate tax rate; and                 |
| $\gamma$ | the value of imputation tax credits (gamma) |

This is an after-tax discount rate to be applied to nominal ungeared after-tax cash flows.

### Overview of the CAPM Framework

The CAPM provides a theoretical basis for determining a discount rate that reflects the returns required by diversified investors in equities. CAPM is based on the assumption that investors require a premium for investing



in equities above risk free investments (such as Australian government bonds). The premium is commonly known as the market risk premium and notionally represents the premium required to compensate for investment in the equity market in general.

The risks associated with an investment in a company can be classed as either specific risks or systematic risks. Specific risks are risks that are specific to a particular company or business and are unrelated to movements in equity markets. Systematic risk is the risk that returns from an investment or business will vary with market returns in general. If returns on an investment are expected to be perfectly correlated with returns on the market, then the return required on the investment would be equal to the return required from the market (ie. the risk-free rate plus the market risk premium).

CAPM postulates that the return required on investment or assets can be estimated by applying to the market risk premium a measure of systematic risk described as the equity beta factor. The equity beta for an investment reflects the covariance of the return from that investment with the return from the market as a whole. Covariance is a measure of relative volatility and correlation. The equity beta of an investment represents its systematic risk only. It is not a measure of the total risk of a particular investment. In general, an investment with an equity beta greater than 1 is riskier than the market and an investment with a beta of less than 1 is less risky.

The formula for deriving the cost of equity using CAPM is as follows:

$$R_e = R_f + \beta(R_m - R_f)$$

Where

$R_e$  is the expected return on equity;  
 $R_f$  is the risk free rate;  
 $\beta$  is the equity beta factor;  
 $R_m$  is the expected market return; and  
 $R_m - R_f$  is the market risk premium.

The equity beta for a company is normally estimated by observing the historical relationship between returns from the company or comparable company and returns from the market in general. In our analysis, we have chosen to observe the historical 3-year relationship between returns from comparable companies to CLARA.

### Risk free rate

The risk-free rate compensates the investor for the time value of money including the expected inflation rate over the investment period. In practice, for going concern Australian companies, the ten-year Commonwealth Government Bond rate is a widely used and accepted proxy for the risk-free rate. This rate is a nominal rate and therefore includes inflation.

For the purpose of this report, Advisory Partner has adopted the ten-year Australian Government Bond rate as at 9<sup>th</sup> of February 2024 at 4.13% as a proxy for the risk-free rate in determining the cost of equity for Clara.

### Equity market risk premium

The market risk premium ( $R_m - R_f$ ) represents the additional return that investors require to invest in equity securities as a whole over a risk-free investment which is not observable and therefore a historical premium is

used as a proxy. Australian studies<sup>1</sup> have been limited but indicate that the long run average premium has been in the order of 6.0-6.5% measured over more than 100 years of data.

The market risk premium is not constant and may change over time as investors perceive that equities are more risky than at other times and will increase or decrease their expected premium.

A market risk premium of 6.0% has been assumed which Advisory Partner believes is within the range of generally accepted figures of long-term market risk premiums in the Australian capital market.

## Beta

The beta coefficient is a measure of the expected volatility and therefore risk of a company's stock relative to the market portfolio.

The beta of a stock is determined by the characteristics of the firm and is generally based on three factors:

- the nature of revenue and the extent to which it is cyclical;
- operating leverage; and
- financial leverage.

The expected beta cannot be observed; therefore, the historical beta is usually used as a proxy for the expected beta. A beta can be estimated by regressing the excess returns of the stock or comparable against the excess returns of the index representing the market portfolio.

## Equity Beta estimate

To obtain an equity beta, Advisory Partner has considered the betas of coal explorers and producers listed on the ASX. The betas for listed coal companies that may be considered comparable to Clara are listed below.

### Comparable Company Beta Data

| Ticker  | Name                       | Total Debt (\$m) | Mkt. Val. Equity (\$m) | Debt / Capital | Levered Beta (5-Yr) | Unlevered Beta |
|---------|----------------------------|------------------|------------------------|----------------|---------------------|----------------|
| ASX:BCB | Bowen Coking Coal          | 159.28           | 184.90                 | 46%            | 0.42                | 0.32           |
| ASX:WEC | White Energy Company       | 52.73            | 5.50                   | 91%            | 0.46                | 0.24           |
| ASX:CKA | Cokal Limited              | 31.66            | 107.90                 | 23%            | 0.76                | 0.62           |
| ASX:LYN | Savannah Goldfields        | 18.32            | 8.30                   | 69%            | 1.02                | 0.60           |
| ASX:MCM | MC Mining                  | 29.08            | 61.20                  | 32%            | 0.89                | 0.68           |
| ASX:AUH | AustChina Holdings Limited | 0.00             | 6.20                   | 0%             | 1.52                | 1.52           |
| ASX:BRL | Bathurst Resources Limited | 1.20             | 169.40                 | 1%             | 0.38                | 0.38           |
| ASX:IEC | Intra Energy Corporation   | 0.00             | 4.20                   | 0%             | 0.49                | 0.49           |
|         | <b>Average Peer Group</b>  | <b>37</b>        | <b>68.45</b>           | <b>32.7%</b>   | <b>0.74</b>         | <b>0.61</b>    |
|         | <b>Median Peer Group</b>   | <b>24</b>        | <b>35</b>              | <b>0</b>       | <b>0.63</b>         | <b>0.55</b>    |

Source: Capital IQ & AP Analysis

<sup>1</sup> Market Risk Premium Australian Evidence – Business Valuation Paper by Macquarie University

1. The impact of differing capital structures is removed in the calculation of the unlevered betas (Asset Beta).

There are significant measurement issues with beta, which means that only limited reliance can be placed on such statistics. Even measurement of historical betas is subject to considerable variation. It requires a considerable degree of judgement.

The beta is measured on the cash flows returned to equity holders and is therefore after interest. Accordingly, a firm's beta also reflects its capital structure. Since financial leverage is likely to alter between firms it is generally erroneous to make comparison of betas between firms without regard to each firm's leverage. Accordingly, the Company's target debt and equity mix is relevant.

The betas can all be degeared (or 'delevered') to remove the impact of leverage. The method is set out below:

$$Beta(ungeared) = \frac{Beta(g geared)}{\left(1 + \frac{D}{E} \times (1 - t)\right)}$$

The ungeared or 'asset' betas can then be analysed to determine an appropriate asset beta for the subject of the valuation, and it can be regared (or 'relevered') to reflect the appropriate capital structure. Rearranging the above equation, we have:

$$Beta(g geared) = Beta(ungeared) \times \left(1 + \frac{D}{E} \times (1 - t)\right)$$

The table on the previous page indicates that the median beta for comparable business is approximately 0.63, and when unlevered is approximately 0.55.

Given the differences between CLARA and the comparable companies, at best we regard the data as relevant and informative but not determinate.

We have adopted the average unlevered beta of 0.61 for our analysis.

## Cost of Debt Capital

The rate of return required by providers of debt capital is the rate a prudent debt investor would require on interest bearing debt. This rate should reflect the long-term rate of interest required by a debt provider to a business such as the business subject to valuation.

Clara Resources does not carry any interest-bearing debt, therefore the relevant cost of debt for the Company is 0%.

In recognition that WACC is applied to ungeared after tax cash flow projections and that interest payments to debt providers creates a tax shield, the resulting adjusted debt rate for inclusion in the WACC calculation is 0%.

The rate of tax used for calculating the tax shield adjustment is 30%, representing the corporate rate of tax.

## Imputation Credits (Gamma)

The WACC set out above assumes a "classical" tax system. The CAPM model is constructed to derive returns to investors after corporate taxes but before personal taxes. Under the US classical tax system, interest expense is deductible to a company but dividends are not. Investors are also double-taxed on dividends received.

Under Australia's dividend imputation system, domestic equity investors now receive a taxation credit (franking credit) for any tax paid by a company, hence eliminating the double taxation associated with US dividends. There are schools of economic thought that argue that the taxation benefits of dividend imputation should be incorporated into any analysis of value. However, Australian studies of the relative value of dividend imputation are controversial and have produced mixed results.

It is worth noting that franking credits can only be utilised in the hands of domestic Australian investors and to a lesser extent, superannuation funds who are eligible for a refund of unused imputation credits (provided that franking credit trading rules are met). Foreign investors are unable to access attached franking credits and hence attribute no additional value to franking credits.

While a number of studies point towards the proposition that some value should be attributed to dividend imputation, Advisory Partner considers that the evidence provided by the different schools of thought as to the value that investors attributes to dividend imputation is unclear and as a result we have attributed no value to the Imputation Credits.

## Debt and equity mix

According to the principles of modern portfolio finance theory on capital structure an investor, as owner, in a business would seek to utilise an appropriate amount of debt capital in the financial structure of the business on the basis that debt capital is generally cheaper than equity capital and the cost thereof is generally tax deductible. This proposition is balanced, however, with the fact that as the proportion of debt is increased, the financial risk of the business is increased. Accordingly, a target proportion of debt to total capital employed in the business is sought which balances the advantages of this source of funds with the disadvantages attached thereto.

Modern finance theory does not provide a solution to determine the optimum level of gearing in a business, however the use and amount of debt used by participants in the market is observable. Consequently, we have made reference to the gearing ratios of comparable companies noted on page 48 in order to benchmark an appropriate level of gearing to assume for the purposes of deriving the WACC applicable to the business of CLARA. We have also had regard to CLARA's current gearing level.

In arriving at an appropriate target capital structure for CLARA we have had regard to the capital structures commonly adopted by Education Services companies and also CLARA's current gearing level.

The average gearing ratio of debt-to-equity mix observed from the comparable companies is 0%.

Clara Resources current capital structure is 0% debt to 100% equity.

We have chosen to adopt a 0% debt/equity mix.

## Specific Company Risk

A company's cost of equity as derived by the CAPM reflects the level of systematic (or non-diversifiable) risk borne by the company. It does not reflect non-systematic or company specific risks that are inherent in Clara's operations. A specific risk premium of 2% has been included to adjust the cost of equity for these company specific risk factors.

These company-specific risks in this situation include a number of the legal risks discussed in this report but also include issues associated with the size and lack of liquidity in the stock.

## Summary of WACC Parameters

The table below summaries the parameters used and Advisory Partner's determined WACC range.

| Parameter/Estimate                      | Value        |
|-----------------------------------------|--------------|
| Risk-free Rate                          | 4.13%        |
| Equity Market Risk Premium              | 6.00%        |
| Equity Beta (Unlevered)                 | 0.61         |
| Specific Company Risk                   | 2.00%        |
| <b>Cost Of Equity</b>                   | <b>9.77%</b> |
| Pre Tax Cost Of Debt                    | 0.00%        |
| Tax Rate                                | 30.00%       |
| <b>Cost of Debt (After Tax Shield)</b>  | <b>0.00%</b> |
| Gamma ()                                | -            |
| Proportion of Equity                    | 100.00%      |
| Proportion of Debt                      | 0.00%        |
| <b>Weighted Average Cost of Capital</b> | <b>9.77%</b> |

Source: Capital IQ Pro and AP Analysis



Clara Resources Australia Limited  
ACN 122 957 322

001 / 000001

## LODGE YOUR VOTE



### ONLINE

<https://investorcentre.linkgroup.com>



### BY MAIL

Clara Resources Australia Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



### BY FAX

+61 2 9287 0309



### BY HAND

Link Market Services Limited  
Parramatta Square, Level 22, Tower 6,  
10 Darcy Street, Parramatta NSW 2150



### ALL ENQUIRIES TO

Telephone: 1300 306 276 Overseas: +61 1300 306 276

## PROXY FORM

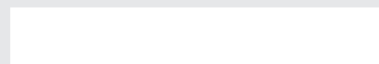
I/We being a member(s) of Clara Resources Australia Limited and entitled to participate in and vote hereby appoint:

### APPOINT A PROXY



the Chairman of the  
Meeting (mark box)

**OR** if you are **NOT** appointing the Chairman of the Meeting  
as your proxy, please write the name of the person or  
body corporate you are appointing as your proxy



or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **11:00am, Thursday, 4 April 2024 at the offices of HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Queensland** (the Meeting) and at any postponement or adjournment of the Meeting.

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒

#### Resolutions

For Against Abstain\*

- 1 Approval of the acquisition of the balance of the Ashford Coking Coal Project from Savannah Goldfields Limited and the issue of the Consideration Shares to Savannah Goldfields Limited

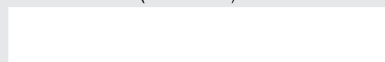
|                          |                          |                          |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|



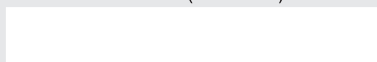
\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

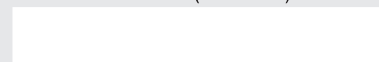
Shareholder 1 (Individual)



Joint Shareholder 2 (Individual)



Joint Shareholder 3 (Individual)



Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

C7A PRX2401A

## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to participate in the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to participate in the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am, Tuesday, 2 April 2024**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

<https://investorcentre.linkgroup.com>

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link <https://investorcentre.linkgroup.com> into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Clara Resources Australia Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
Parramatta Square  
Level 22, Tower 6  
10 Darcy Street  
Parramatta NSW 2150

\*During business hours Monday to Friday (9:00am - 5:00pm)

**IF YOU WOULD LIKE TO PARTICIPATE IN AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**



06 March 2024

Dear Shareholder

**Extraordinary General Meeting – Notice of Meeting and Proxy Form**

Notice is hereby given that an Extraordinary General Meeting (the **Meeting**) of **Clara Resources Australia Limited** (the **Company**) will be held at 11.00am (Brisbane time) on 4<sup>th</sup> of April 2024 at the Offices of HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000.

As permitted by the Corporations Act 2001 (Cth), the Company will not be sending hard copies of the Notice of Meeting to Shareholders unless a Shareholder has previously requested a hard copy. Instead, the Notice of Meeting and accompanying Explanatory Memorandum (Notice of Meeting) are being made available to shareholders electronically. To view and download a copy of the Notice of Meeting please visit the Company's website <https://clararesources.com.au/asx-announcements>.

The Notice of Meeting will also be available on ASX's website, under the Company's ticker code C7A. All resolutions for the Meeting will be decided via a poll. The poll will be conducted based on votes submitted by proxy, together with any votes cast at the Meeting.

**The Company strongly encourages shareholders to vote via proxy for the purposes of the Meeting, rather than attending in person.** A personalized Proxy Form will be attached to this letter when dispatched by the Registry. Shareholders who have elected to receive notices from the Company in electronic format will receive an email directly from the Registry.

Clara Resources Australia Limited also encourages shareholders to lodge their proxy votes **online**. To do that, shareholders can login to [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) using the holding details (SRN or HIN) that will be available on the personalised Proxy Form dispatched by the Registry. Once logged in, select Voting and follow the prompts to lodge your vote.

Shareholders that experience any problems accessing the proxy voting screen(s) can contact the Registry (Link Market Services Limited) by phone on 1300 554 474 or by email at [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

Proxy instructions must be received no later than 48 hours before the commencement of the Meeting.

By Order of the Board of Directors  
John Haley  
Company Secretary  
Clara Resources Australia Limited