
WARATAH RESOURCES LIMITED**ACN 125 688 940****NOTICE OF GENERAL MEETING**

TIME: 10.00 am (WST)**DATE:** 25 October 2011**PLACE:** Level 1 350 Hay St Subiaco WA 6008

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 6365 4532.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The general meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00 am (WST) on 25 October 2011 at:

Level 1, 350 Hay St Subiaco, WA 6008

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

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

NOTICE OF GENERAL MEETING

Notice is given that the general meeting of Shareholders will be held at 10.00 am (WST) on 25 October 2011 at Level 1, 350 Hay St Subiaco, WA 6008.

The Explanatory Statement provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 7.00pm (Sydney time) on 21 October 2011.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – ACQUISITION OF GALINA IRON LIMITED

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

"That, subject to the passing of Resolution 2, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to allot and issue:

- (a) 9,333,332 Initial Consideration Shares to the Vendors and Facilitators (or their nominees), as consideration for the acquisition of 83.33% of the issued capital of Galina Iron Limited; and
- (b) 41,866,666 Deferred Consideration Shares to the Vendors and Facilitators (or their nominees), subject to the satisfaction of the Milestones

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

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – ISSUE OF SHARES TO DIRECTOR AND ACQUISITION OF SUBSTANTIAL ASSET

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

"That, subject to the passing of Resolution 1, pursuant to Listing Rules 10.1, 10.11 and for all other purposes, approval is given for:

- (c) the Directors to allot and issue:

- (i) 666,668 Initial Consideration Shares to William Witham (or his nominees), as consideration for the acquisition of 16.66% of the issued capital of Galina Iron Limited; and
- (ii) 5,133,334 Deferred Consideration Shares to William Witham (or his nominees), subject to the satisfaction of the Milestones; and
- (d) the Company to acquire the WW Galina Shares, pursuant to the Share Sale Agreement.

Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Stantons International Securities for the purposes of the Shareholder approval required pursuant to ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this resolution by a party to the transaction or a person who is to receive securities in relation to the Company, if the resolution is passed, or associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SECURITIES

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

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of:

- (a) 19,200,000 Shares; and
- (b) 4,800,000 free attaching Options,

on a post Reconstruction basis, on the terms and conditions set out in the Explanatory Statement."

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

DATED: 21 SEPTEMBER 2011

BY ORDER OF THE BOARD

**ROBERT ORR
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.00 am (WST) on 25 October 2011 at Level 1, 350 Hay St Subiaco, WA 6008.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. Background

1.1 General

As announced on 28 July 2011, the Company has entered into a share sale agreement to acquire 100% of the issued share capital of Galina Iron Limited, a company incorporated in the British Virgin Islands (**Galina**), from the Vendors and as facilitated by the Facilitators (**Share Sale Agreement**). Refer to Schedule 1 for a list of the Vendors and Facilitators.

Galina owns or is entitled to an 80% legal and beneficial interest in Nyive Congo SA (**Nyive**), a company incorporated in the Republic of the Congo (**ROC**). Nyive holds or is entitled to a 100% interest in the Okanabora Permit de Recherche (**Project**) in the ROC.

1.2 The Projects

The Project is situated approximately 75kms southwest of the Company's existing Youkou project. The Project covers two separate areas known as Keta 1 and Keta 2 (**Tenements**). The Project area is significantly under-explored but historical mapping of ferrous quartzites and recent field results returning results of up to 60% Fe₂O₃ have highlighted the extreme prospectivity of the Project site for itabirite iron ore. Together with the proposed development of a number of relatively advanced projects in the ROC and neighbouring Gabon, the Project is central within a province with great potential.

The Company intends to define a JORC Code inferred resource by the second quarter of 2012 at the Project.

1.3 The Republic of the Congo

The ROC is also sometimes referred to as Congo Brazzaville to distinguish it from its neighbour to the east, the Democratic Republic of Congo. The ROC is a unitary republic and the current government has been in power since 1997.

The ROC enjoys relative political and social stability and has a government which is supportive of mineral development and foreign investments. A number of Australian and other foreign mining and oil companies operate in the ROC.

1.4 Geological Summary

The Project is located and forms part of an iron ore province in the Archaean Congo Craton that spans 3 countries, the ROC, Gabon and Cameroon. The iron ore deposits of Belinga in Gabon, Mbalam in Cameroon and ROC and Avima in the ROC are located nearby. Recent evaluation in the ROC by Sundance Resources

Limited of Australia in the Mbalam Region, 150km north of the Youkou project, proved up a resource of 484 million tonnes of 61.1% Fe.

The deposits usually are typical supergene hematite enrichments of an Archaean banded iron formation protore which has been recrystallised to ferruginous quartzite or itabirite. They occur in similar geological settings to large iron ore occurrences identified in Liberia, Gabon and currently being evaluated in the ROC. Due to similar regional geological characteristics to these settings, the Directors deduce that the Project occurrence would in all likelihood share similar types of mineralisation.

1.5 Share Sale Agreement

The material terms and conditions of the Share Sale Agreement are as follows:

- (a) **(Conditions Precedent)**: the Share Sale Agreement is conditional upon the following conditions precedent being satisfied:
- (i) the Company completing a financial and legal due diligence on Galina, to the sole and absolute satisfaction of the Company;
 - (ii) the Company obtaining all necessary shareholder approvals required by the Corporations Act and the ASX Listing Rules and regulatory approvals in relation to the acquisition of Galina by the Company (**Acquisition**); and
 - (iii) the Vendors providing written confirmation that all necessary approvals from the ROC to the Acquisition, including specifically the transfer of the shares held in Galina by the Vendors to the Company, have been obtained,
- (together, the **Conditions**) on or before 30 September 2011.
- (b) **(Consideration)**: the total consideration payable by the Company to acquire a 100% interest in Galina Iron Limited is:
- (i) an initial cash payment of \$1,160,023.57, which was paid on 28 July 2011 to Paul Kodjo Agbiotti who is one of the Facilitators (**Initial Cash Payment**). Several of the vendors (**Guarantors**) have provided personal guarantees for the repayment of the Initial Cash Payment;
 - (ii) \$3,000,000 cash, which includes the Initial Cash Payment, (**Cash Consideration**). \$339,976.43 of the Cash Consideration will be paid to the Vendors on the settlement date of the Share Sale Agreement, which is 5 Business Days after the satisfaction or waiver of the last of the Conditions (or such other date as is agreed between the Parties) (**Settlement Date**) and the final \$1,500,000 of the Cash Consideration will be paid to Paul Agbiotti immediately upon:
 - (A) the satisfaction of the Conditions; and
 - (B) the unconditional granting of Keka 2,(together, **Further Conditions**);

- (iii) 10,000,000 fully paid ordinary Shares in the Company, 5,000,000 of which are payable to the Vendors and Facilitators at Settlement and the final 5,000,000 to be paid to the Vendors and Facilitators on or after satisfaction of the Further Conditions (**Initial Consideration Shares**); and
- (iv) the deferred consideration, which is payable subject to satisfaction of the milestones described in section 1.1(c) below (**Deferred Consideration Shares**).

Refer to the Schedule 1 for a breakdown of the payment and recipients of the Cash Consideration, Initial Consideration Shares and Deferred Consideration Shares.

- (c) (**Deferred Consideration Shares**): the Deferred Consideration Shares are a further 47,000,000 Shares in total to the Vendors and Facilitators, subject to the satisfaction of the below performance milestones in relation to the Project (**Milestones**). The Deferred Consideration Shares may be issued in 2 tranches following satisfaction of each of the Milestones below:

- (i) upon the earlier to occur of either of the following to the reasonable satisfaction of the Company and subject to satisfaction of the Conditions:

- (A) the delineation of greater than a 100,000,000 tonne iron ore JORC Code compliant resource, at greater than 30% Fe, on the Tenements collectively (or any one of them); and
- (B) completion of an economically viable prefeasibility study in respect of the Tenements collectively (or any one of them),

(together, **Milestone A**) the Company shall issue a further 25,500,000 Shares; and

- (ii) upon the earlier to occur of either of the following to the reasonable satisfaction of the Company and subject to satisfaction of the Conditions:

- (A) the delineation of greater than a 200,000,000 tonne iron ore JORC Code compliant resource, at greater than 30% Fe, on the Tenements collectively (or any one of them); and
- (B) completion of an economically viable definitive feasibility study in respect of the Tenements collectively (or any one of them),

(together, **Milestone B**) the Company shall issue a further 21,500,000 Shares.

- (d) (**Settlement**): settlement of the Acquisition will occur 5 Business Days after the satisfaction or waiver of the last of the Conditions (or such other date as is agreed between the parties to the Share Sale Agreement).

- (e) **(Representations and Warranties)**: the Share Sale Agreement contains representations and warranties standard for an agreement of this nature.

1.6 Capital Structure

The indicative effect of the Acquisition on the capital structure of the Company will be as follows:

	Shares	Options
Current issued capital ¹	180,533,736	28,400,000
Initial Consideration Shares payable pursuant to Acquisition	10,000,000	Nil
Deferred Consideration Shares payable pursuant to Acquisition	47,000,000	Nil
Total on completion of Acquisition	237,533,736	28,400,000

Notes:

- ¹. Assumes no further securities are issued prior to Settlement.

1.7 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Independent Expert has concluded that **the Acquisition is fair and reasonable** as set out in the Independent Expert's Report attached to this Notice of Meeting;
- (b) the continuing viability of the Company as a going concern depends on identifying suitable opportunities which will sustain a viable business. The Acquisition presents an opportunity to explore for minerals on the Tenements;
- (c) through the acquisition of Galina, a larger market capitalisation and enhanced shareholder base should provide a more liquid stock;
- (d) the Acquisition will allow the Company to increase in scale and make an important step towards becoming a major iron ore producer utilising new infrastructure;

1.8 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Acquisition will result in the issue of Shares to the Vendors and Facilitators which will have a substantial dilutionary effect on the current holdings of Shareholders; and

- (b) the Company has already paid the Initial Cash Payment to one of the Facilitators, which is repayable if any of the Conditions are not satisfied for any reason on or before 30 September 2011 or if Settlement does not occur. The Company may have to take steps to recover this money from the Guarantors.

2. RESOLUTION 1 – ACQUISITION OF GALINA IRON LIMITED

2.1 General

As outlined in Section 1 of this Explanatory Statement, the Company, the Vendors and the Facilitators have entered into the Share Sale Agreement under which the Company has agreed to acquire and the Vendors agreed to sell all of their Shares in the capital of Galina.

This Resolution is conditional on Resolution 2 being approved.

The consideration to be paid to the Vendors and Facilitators will be satisfied through:

- (a) the Cash Consideration;
- (b) the issue and allotment of the Initial Consideration Shares; and
- (c) the issue and allotment of the Deferred Consideration Shares.

Resolution 1 seeks Shareholder approval for the allotment and issue of:

- (d) the 9,333,332 Initial Consideration Shares to the Vendors and Facilitators, as consideration for the acquisition of 83.33% of the issued capital of Galina Iron Limited; and
- (e) the 41,866,666 Deferred Consideration Shares to the Vendors and Facilitators, subject to the satisfaction of the Milestones.

One of the Vendors, Mr Witham, is a related party of the Company by virtue of his being the Company's Managing Director. Mr Witham owns 16.66% of the shares on issue in Galina (**WW Galina Shares**). In consideration for the WW Galina Shares, Mr Witham will receive 666,668 Initial Consideration Shares at Settlement. Mr Witham may also receive up to a further 5,133,334 Deferred Consideration Shares, subject to the satisfaction of the Milestones set out in section 1.1(c) above. Mr Witham will not be receiving any cash under the terms of the Share Sale Agreement, subject to Resolution 2. Refer to Resolution 2 for further information in relation to the issue of the Consideration Shares to Mr Witham.

Other than Mr Witham, none of the other Vendors are related parties of the Company. Accordingly, Shareholder approval is not required under the related party provisions of the Corporations Act or the ASX Listing Rules for the issue of the Consideration Shares to the Vendors.

None of the Facilitators are related parties of the Company. Accordingly, Shareholder approval is not required under the related party provisions of the Corporations Act or the ASX Listing Rules for the issue of the Consideration Shares to the Facilitators.

Following the issue of the Consideration Shares, none of the Vendors or Facilitators will individually hold 20% or more of the Shares in the Company upon completion of the Acquisition.

2.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Directors to issue the Initial Consideration Shares in consideration for the Acquisition and the Deferred Consideration Shares in consideration for satisfaction of the Milestones, during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity. The Company has sought a waiver from ASX to Listing Rule 7.3.2 seeking to extend the 3 month period for the issue of the Deferred Consideration Shares as it is expected that the Milestones will not be satisfied within this 3 month time period.

2.3 Technical Information Required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Consideration Shares for the purpose of the Acquisition:

- (a) the maximum number of securities to be issued is 51,199,998 Consideration Shares;
- (b) the 9,333,332 Initial Consideration Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) subject to ASX's granting of a waiver of Listing Rule 7.3.2, the first tranche of 22,766,666 Deferred Consideration Shares will be issued if and when Milestone A has been satisfied. The second tranche of 19,100,000 Deferred Consideration Shares will be issued if and when Milestone B has been satisfied;
- (d) the Consideration Shares will be issued for nil cash consideration as they are being issued in consideration for the acquisition of 100% of Galina. Accordingly, no funds will be raised from the issue of the Consideration Shares;
- (e) the Consideration Shares will be allotted and issued to the Vendors and Facilitator (or their nominees) in accordance with the table set out in Schedule 1. Mr Witham, one of the Vendors, is a related party of the Company by virtue of being the Managing Director. None of the other Vendors or Facilitators are related parties of the Company; and
- (f) the Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

3. **RESOLUTION 2 – ISSUE OF SHARES TO DIRECTOR AND ACQUISITION OF SUBSTANTIAL ASSET**

3.1 **General**

As outlined in Section 1 of this Explanatory Statement, the Company, the Vendors and the Facilitators have entered into the Share Sale Agreement under which the Company has agreed to acquire and the Vendors agreed to sell all of their shares in the capital of Galina.

This Resolution is conditional on Resolution 1 being approved.

Resolution 2 seeks Shareholder approval for:

- (a) the allotment and issue of:
 - (i) 666,668 Initial Consideration Shares for the acquisition of the WW Galina Shares; and
 - (ii) up to 5,133,334 Deferred Consideration Shares, subject to the satisfaction of the Milestones,

(together, the **WW Consideration Shares**) to Mr Witham, who is a related party of the Company; and
- (b) the acquisition of a substantial asset, being the WW Galina Shares, from Mr Witham.

3.2 **Listing Rule 10.11 Authorisation**

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company.

If Resolution 2 is passed, the WW Consideration Shares will be issued to Mr Witham, who is a related party of the Company.

Accordingly, approval for the issue of the WW Consideration Shares to Mr Witham is required pursuant to ASX Listing Rule 10.11.

The Directors consider that the Acquisition will be on arm's length terms as the same terms apply to all Vendors or Facilitators, regardless of whether they are associated with the Company or not. Accordingly, the proposed issue of WW Consideration Shares to Mr Witham falls within the arm's length terms exception provided by Section 210 of the Corporations Act to the requirement to obtain shareholder approval under Part 2E of the Corporations Act.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the WW Consideration Shares to Mr Witham as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of the WW Consideration Shares to Mr Witham will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

3.3 Prescribed Information under ASX Listing Rule 10.13

Pursuant to ASX Listing Rule 10.13, the Company provides the following information to Shareholders in respect of the proposed issue of the WW Consideration Shares to Mr Witham under the Acquisition:

- (a) the related party to whom the WW Consideration Shares will be issued is Mr Witham, who is a related party by virtue of being the Company's Managing Director;
- (b) the maximum number of Shares that are to be issued to Mr Witham under the Acquisition is 666,668 Shares of the Initial Consideration Shares and 5,133,334 Shares of the Deferred Consideration Shares;
- (c) the 666,668 Initial Consideration Shares will be issued no later than one month after the General Meeting (or such later date as permitted by any ASX waiver or ASIC relief) and it is intended that allotment will occur on the same date;
- (d) subject to ASX's granting of a waiver of Listing Rule 7.3.2, the first tranche of 2,733,334 Shares will be issued if and when Milestone A has been satisfied. The second tranche of 2,400,000 Shares will be issued if and when Milestone B has been satisfied;
- (c) the WW Consideration Shares will be issued for nil cash consideration as they are being issued in consideration for the acquisition of Mr Witham's interest in Galina. Accordingly, no funds will be raised from the issue of the WW Consideration Shares; and
- (e) the WW Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

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

3.4 Listing Rule 10.1 Authorisation

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, a related party.

An asset is "substantial" if its value, or the value of the consideration for it, is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the ASX Listing Rules. The value of the WW Consideration Shares, given in return for the acquisition of the WW Galina Shares) is greater than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules.

The value of the consideration to be given for the WW Interest, being 666,668 Initial Consideration Shares, equates to \$170,000 based on the Company's closing share price of \$0.255 on 23 August 2011. If the Milestones are satisfied and the Company is obliged to issue the 5,133,334 Deferred Consideration Shares to Mr Witham, their value would at yesterday's closing share price equate to \$1,309,000, which combined with \$370,000 equates to \$1,479,000, which is above the 5% threshold of \$315,913.70.

Therefore, based on the value of the WW Consideration Shares, the WW Galina Shares would be considered to be a substantial asset for the purposes of Listing Rule 10.2 and shareholder approval will be required for the purposes of Listing Rule 10.1 for the acquisition of the WW Galina Shares.

Mr Witham is a related party of the Company by virtue of the fact that he is the Company's Managing Director, and so the Acquisition will involve the Company acquiring a substantial asset, being the WW Galina Shares, from a related party of the Company. The Acquisition therefore requires approval under ASX Listing Rule 10.1.

ASX Listing Rule 10.1 provides that Shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed acquisition or disposal from an independent expert.

3.5 Independent Expert's Report

The Independent Expert's Report prepared by Stantons International Securities assesses whether the issue of WW Consideration Shares to Mr Witham is fair and reasonable to the non-associated Shareholders of the Company. The advantages and disadvantages of the Acquisition are outlined in sections 13.4 and 13.5 of the Independent Experts' Report and are provided to enable non-associated Shareholders of the Company to determine whether they are better off if the Acquisition proceeds than if it does not.

The Independent Expert's Report concludes that the Acquisition, on balance, **is fair and reasonable** to the non-associated Shareholders of the Company.

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

4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SECURITIES

4.1 General

In April 2011, following the grant of Shareholder approval and pursuant to section 254H of the Corporations Act, the Company undertook a capital reconstruction on the basis of:

- (a) 4 Shares for every 1 Share held; and
- (b) 4 Options for every 1 Option held.

On 18 April 2011, the Company announced it had issued a total of 4,800,000 Shares (pre Reconstruction) or 19,200,000 Shares (post Reconstruction) at \$1.20 (pre Reconstruction) or \$0.30 (post Reconstruction) per Share, with 1 free attaching

Option for 4 Shares issued with an exercise price of \$1.60 and an expiry date of 20 September 2012, to raise \$5,760,000 before costs (**Placement**).

The subscribers pursuant to this issue were not related parties of the Company.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

Refer to section 2.2 for a summary of ASX Listing Rule 7.1.

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

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

4.2 Technical information required by ASX Listing Rule 7.4

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

- (a) 19,200,000 Shares and 4,800,000 Options were allotted (post Reconstruction);
- (b) the issue price of the Shares was \$0.30 per Share (post Reconstruction) and the Options were issued for no consideration;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the full terms and conditions of the Options issued are set out in Schedule 2;
- (e) the Shares were allotted and issued to institutional and sophisticated investors, who were clients of UBS Wealth Management Limited and Hartleys Limited, none of whom were related parties of the Company; and
- (f) the funds raised from this issue were used to fund an exploration drilling program on the Youkou iron ore project in ROC.

5. ENQUIRIES

Shareholders are requested to contact the Company Secretary, Robert Orr, on (+ 61 8) 6365 4532 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

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

Cash Consideration means the \$3,000,000 in cash that is payable to the Vendors and Facilitators pursuant to the Share Sale Agreement.

Company means Waratah Resources Limited (ACN 125 688 940).

Conditions means the conditions precedent to the Share Sale Agreement, as described in Section 1.1(a) of the Explanatory Statement.

Consideration Shares means the Initial Consideration Shares and Deferred Consideration Shares.

Constitution means the Company's constitution.

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

Deferred Consideration Shares means the 47,000,000 Shares to be issued and allotted to the Vendors and Facilitators pursuant to the Share Sale Agreement, subject to the Milestones being met.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Facilitators means Paul Kodjo Agbiotti, Charles Ludovic Chabell and Solethu Investments Pty Ltd, who facilitated the Acquisition.

Further Conditions means the satisfaction of the Conditions and the unconditional granting of Keka 2, pursuant to the Share Sale Agreement.

Galina means Galina Iron Limited, a company incorporated in the ROC.

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

Guarantors means several of the vendors who have guaranteed the repayment of the Initial Cash Payment pursuant to a deed of guarantee.

Independent Expert means Stantons International Securities (ACN 128 908 289).

Independent Expert's Report means the report by the Independent Expert annexed to this Notice of General Meeting as Annexure A.

Initial Cash Payment means the initial cash payment of \$1,160,023.57, which was paid on 28 July 2011 to Paul Kodjo Agbiotti as part of the Cash Consideration.

Initial Consideration Shares means the 10,000,000 Shares to be issued and allotted to the Vendors and Facilitators pursuant to the Share Sale Agreement.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004.

Milestones means the milestones set out in section 1.1(c) of the Explanatory Statement.

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

Option means an option to acquire a Share in the Company.

Project means the Okanabora Permit de Recherche in the ROC.

Proxy Form means the proxy form accompanying the Notice.

Reconstruction means the capital reconstruction undertaken by the Company in April 2011 on the basis of:

- (a) 4 Shares for every 1 Share held; and
- (b) 4 Options for every 1 Option held,

following the grant of Shareholder approval.

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

ROC means the Republic of the Congo.

Settlement means the settlement on the Settlement Date of the sale and purchase of the Vendor Shares in accordance with the terms of this Agreement.

Settlement Date means that date which is 5 Business Days after the satisfaction or waiver of the last of the Conditions (or such other date as is agreed between the Parties).

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

Shareholder means a holder of a Share.

Share Sale Agreement means the share sale agreement between the Company, the Vendors and the Facilitators, pursuant to which the Company will acquire Galina.

Vendors means the shareholders of Galina, being Zimbali Nominees Pty Ltd, BJS Robb PTY Ltd, DavKirk Pty Ltd, HighBall Trading Pty Ltd, William Witham and Kanthu Nkhama Capital (Proprietary) Limited.

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

WW Consideration Shares means the:

- (a) 666,668 Initial Consideration Shares; and
 - (b) up to 4,800,000 Deferred Consideration Shares if the Milestones are met,
- which are payable to Mr Witham pursuant to the Share Sale Agreement.

WW Galina Shares means Mr Witham's 16^{2/3}% interest in Galina.

SCHEDULE 1 – VENDORS AND FACILITATORS

	CASH CONSIDERATION		INITIAL CONSIDERATION SHARES		DEFERRED CONSIDERATION SHARES	
Name	Prior to and at Settlement	Upon satisfaction of the Further Conditions	At Settlement	Upon satisfaction of the Further Conditions	Upon satisfaction of Milestone A	Upon satisfaction of Milestone B
VENDORS						
Zimbali Nominees Pty Ltd	\$52,412.68	Nil	333,333	333,333	2,733,333	2,400,000
BJS Robb PTY Ltd	\$52,412.68	Nil	333,333	333,333	2,733,333	2,400,000
DavKirk Pty Ltd	\$52,412.68	Nil	333,333	333,333	2,733,333	2,400,000
HighBall Trading Pty Ltd	\$83,575.36	Nil	333,333	333,333	2,733,333	2,400,000
William Witham	Nil	Nil	333,334	333,334	2,733,334	2,400,000
Kanthu Nkhama Capital (Proprietary) Limited	\$99,163.02	Nil	733,334	333,334	2,083,334	1,750,000
TOTAL	\$339,976.43	Nil	2,400,000	2,000,000	15,750,000	13,750,000
FACILITATORS						
Paul Kodjo Agbiotti	\$1,160,023.57	\$1,500,000	2,100,000	2,500,000	8,000,000	6,000,000
Charles Ludovic Chabell	Nil	Nil	250,000	250,000	1,000,000	1,000,000
Solethu Investments Pty Ltd	Nil	Nil	250,000	250,000	750,000	750,000
TOTAL	\$1,160,023.57	\$1,500,000	2,600,000	3,000,000	9,750,000	7,750,000
	3,000,000		10,000,000		47,000,000	

SCHEDULE 2 – OPTION TERMS

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) The Options will expire at 5.00pm (WST) on 20 September 2012 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$1.60 (**Exercise Price**)(pre reconstruction).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are not transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

21 September 2011

The Directors
Waratah Resources Limited
Level 1, 350 Hay Street
SUBIACO WA 6008

Dear Sirs

Re: WARATAH RESOURCES LIMITED ("WARATAH" OR "THE COMPANY") (ABN 47 125 688 940) ON THE PROPOSAL TO ACQUIRE 100% OF THE SHARES IN GALINA IRON LIMITED AND AS PART CONSIDERATION ISSUING ORDINARY SHARES AND POTENTIAL MILESTONE (ORDINARY) SHARES TO A RELATED PARTY. MEETING PURSUANT TO LISTING RULE 10.1 OF THE AUSTRALIAN SECURITIES EXCHANGE ("ASX")

1. Introduction

1.1 We have been requested by the Directors of Waratah to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposal to issue securities by Waratah to a related party as part consideration to acquire 100% of the ordinary share capital of Galina Iron Limited ("Galina BVI"), a British Virgin Island registered company that is an 80% shareholder in the Republic of Congo ("ROC") registered company, Nyive Congo SA ("Nyive") who has the right or is obtaining the right to various iron ore prospective tenements in the ROC as noted below and in resolutions 1 and 2 in the Notice of Meeting of Shareholders ("Notice") and Explanatory Statement to Shareholders ("Explanatory Statement") of Waratah of September 2011. The Tenements were known as Keka 1 and Keka 2 (but are now to be called Okanabora 1 and Okanabora 2 and the project is known as the Okanabora Iron Ore Project. As noted in the Share Sale Agreement and a Deed of Variation of August 2011 ("SSA"), the full consideration to acquire a 100% interest in Galina BVI is as follows:

- \$3,000,000 cash to certain of the unrelated vendors of Galina BVI ("the Unrelated Vendors") and one of the three facilitators ("the Facilitators") relating to the acquisition of Galina BVI;
- The issue of 10,000,000 ordinary shares ("Purchaser Shares") to the Vendors of Galina BVI and the Facilitators of which 666,668 Purchaser Shares are to be issued to William Witham ("Witham") who is a director of Waratah (and owns 16.67% of Galina BVI);
- The potential issue of a total of 29,500,000 performance shares ("Milestone Purchaser Shares") to the Vendors (of which a total of 5,133,334 Milestone Purchaser Shares may be issued to Witham) and 17,500,000 Milestone Purchaser Shares to be issued to the Facilitators upon the satisfaction of certain conditions precedent.

1.2 The consideration is payable as follows:

1. An prepayment of \$1,160,023.57 in cash ("Initial Cash Payment") to one of the Facilitators (refundable in the event that the conditions precedent to the transaction completion are not met) on the Execution Date of the SAA;
2. At Settlement (as defined) pay to the Vendors \$339,976.43 cash (none of which is to be paid to Witham) as a reimbursement of expenditure by the Vendors in developing the Tenements; issue 2,400,000 Purchaser Shares to the Vendors (Witham 333,334 Purchaser Shares relating to Okanabura 1) and issue 2,600,000 Purchaser Shares to the Facilitators (the total of 333,334 Purchaser Shares to be issued to Witham are known in this report as the Witham Purchaser Shares Okanabura 1);
3. If all conditions precedent are met (including Okanabura 2 being unconditionally granted to Nyive) the Vendors are to be issued 2,000,000 Purchaser Shares (Witham to receive 333,334 Purchaser Shares relating to Okanabura 2) (the total of 333,334 Purchaser Shares to be issued to Witham are known in this report as the Witham Purchaser Shares Okanabura 2); pay one of the Facilitators \$1,500,000 cash and issue the Facilitators a further 3,000,000 Purchaser Shares;
4. Upon the earlier of either the delineation of greater than a 100,000,000 tonne iron ore resource at greater than 30% Fe on the Tenements collectively (or any one of them) and completion of an economic viable prefeasibility study in respect of the tenements (or any one of them) issue a total of 15,750,000 Milestone A Purchaser Shares (of which a total of 2,733,334 Milestone Purchaser A Shares would be issued to Witham) and 9,750,000 Milestone A Purchaser Shares to the Facilitators;
5. Upon the earlier of either the delineation of greater than a 200,000,000 tonne iron ore resource at greater than 30% Fe on the Tenements collectively (or any one of them) and completion of an economic viable feasibility study in respect of the tenements (or any one of them) issue a total of 13,750,000 Milestone B Purchaser Shares (of which a total of 2,400,000 Milestone B Purchaser Shares would be issued to Witham) and 7,750,000 Milestone B Purchaser Shares to the Facilitators.

Collectively, the milestones set out above are referred to as the Milestones. The acquisition of a 100% interest in Galina BVI is for the purposes of this report known as the Acquisition and the total cash and share acquisition costs are known in this report as the Acquisition Consideration. Schedule 1 to the Explanatory Statement outlines the allocation of cash, Purchaser Shares and Milestone Purchaser Shares to be offered as Consideration to the Vendors and Facilitators (that includes Witham).

- 1.3 Our report opines on the fairness and reasonableness of the proposal to issue 666,668 Witham Purchaser Shares and up to 5,133,334 Milestone A and B Purchaser Shares in Waratah to Witham (providing up to approximately 2.44% of the expanded issued capital of Waratah if the Milestones are achieved and assuming no further issues of equity between now and then). These share issues are known as the Relevant Transactions for the purposes of this report.
- 1.4 ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company. If Resolution 2 is passed, the Witham Purchaser Shares will be issued to Witham, who is a related party of the Company. In addition up to a further 5,133,334 Milestone Purchaser Shares may be issued to Witham if the Milestones set out above are met. The 666,668 Purchaser Shares and the up to 5,133,334 Milestone Purchaser Shares are referred to as the WW Consideration Shares in the Explanatory Statement to Shareholders attached to the Notice. Accordingly, approval for the issue of the WW Consideration Shares to Witham is required pursuant to ASX Listing Rule 10.11.

The Directors consider that the Acquisition will be on arm's length terms as the same terms apply to all Vendors or Facilitators, regardless of whether they are associated with the Company or not. Accordingly, the proposed issue of WW Consideration Shares to Witham falls within the arm's length terms exception provided by Section 210 of the Corporations Act to the requirement to obtain shareholder approval under Part 2E of the Corporations Act. Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the WW Consideration Shares to Witham as approval is being obtained under ASX Listing Rule 10.11.

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, a related party. An asset is "substantial" if its value, or the value of the consideration for it, is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the ASX Listing Rules. The value of the WW Consideration Shares, given in return for the acquisition of the WW Galina Shares) is greater than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules.

The value of the consideration to be given for the Witham interest, being 666,668 Witham Purchaser Shares Okanabura 1 and 2, equates to \$246,677 based on the Company's closing share price of 37 cents on 27 July 2011 (the date that the Company announced the proposal to acquire 80% of Galina). If the Milestones are satisfied and the Company is obliged to issue the maximum of 5,133,334 Milestone Purchaser Shares to Witham, their value would at the 27 July 2011 closing share price equate to \$1,899,335, which combined with \$246,667 equates to \$2,146,002, which is above the 5% threshold of \$315,914. Refer below for share prices subsequent to 27 July 2011.

Therefore, based on the value as noted above of the WW Consideration Shares, the Galina BVI shares being acquired from Witham would be considered to be a substantial asset for the purposes of Listing Rule 10.2 and shareholder approval will be required for the purposes of Listing Rule 10.1 for the acquisition of the Galina BVI Shares from Witham. Witham is a related party of the Company by virtue of the fact that he is the Company's Managing Director, and so the Acquisition will involve the Company acquiring a substantial asset, being the Galina BVI Shares being acquired from Witham, a related party of the Company. The Acquisition therefore requires approval under ASX Listing Rule 10.1. ASX Listing Rule 10.1 provides that Shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed acquisition or disposal from an independent expert.

As the Relevant Transactions form only part of the consideration of the Acquisition of an 100% shareholding interest in Galina BVI that has an 80% interest in Nyive that has the interests in or is obtaining an interest in the Okanabura 1 and 2 Tenements (Okanabora Iron Ore Project) in the ROC, we will need to assess the fairness and reasonableness of the acquisition of an 100% shareholding interest in Galina BVI in determining the fairness and reasonableness of the Relevant Transactions that involves Witham.

- 1.5 To assist shareholders in making a decision on the Acquisition and the Relevant Transactions, the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the Acquisition and the issue of the Witham Purchaser Shares and Milestone Purchaser Shares that may be issued to Witham are fair and reasonable to the non-associated shareholders of Waratah (not associated with Witham). Resolution 2 refers to these proposals.

1.6 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals
- Corporate history and nature of business
- Future direction of Waratah
- Basis of valuation of Waratah securities
- Value of consideration
- Basis of valuation of Galina BVI
- Conclusion as to fairness
- Reasonableness of the offer
- Conclusion as to reasonableness
- Sources of information
- Appendix A and Financial Services Guide

1.7 In determining the fairness and reasonableness of the Acquisition and in particular the Relevant Transactions, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer.

Accordingly, our report relating to the issue to Witham of 666,668 Purchaser Shares (333,334 Purchaser Shares Okanabora 1 and 333,334 Purchase Shares Okanabora 2) and 5,133,334 Milestone Purchaser Shares (2,733,334 Milestone A Purchaser Shares and 2,400,000 Milestone Purchaser B Shares if the performance milestones are met) as part consideration for the Acquisition is concerned with the fairness and reasonableness of the proposals with respect to the existing non-associated shareholders of Waratah (not associated with Witham).

1.8 In our opinion, based on a pre announcement share price of a Waratah share and taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 9 of this report, the proposals as outlined in paragraph 1.2 and resolution 2 may on balance be considered to be fair and reasonable.

Notwithstanding that the Waratah share price (closing price of 27 cents as at 20 September 2011 each shareholder needs to examine the share price of Waratah and market conditions at the time of exercise of vote to ascertain the impact, if any, on resolution 2. The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

1.9 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the 22 August 2011 Independent Technical Valuation Report ("Datamine Valuation Report") on the iron

ore Tenements (Okanabora Iron Ore Project) in ROC owned by Nyive prepared by CAE Mining trading as Datamine South Africa, a copy of which is attached as Annexure 2 to the Notice of Meeting. It should be noted that no our preference to value the Witham Purchaser Shares (the Milestone A and B Purchaser Shares to be issued to Witham have not been ascribed a value) has been based on ASX market based approach and further comments on reasons are outlined below.

2. Implications of the Proposals

- 2.1 As at 29 August 2011, there were 180,533,736 ordinary fully paid shares on issue in Waratah. The significant fully paid shareholders as at 29 July 2011 based on the top 20 shareholders list were believed to be:

	No. of fully paid shares	% of issued fully paid shares
UBS Wealth Management Australian Nominees	49,901,396	27.64
HSBC Custody Nominees Australia	6,648,148	3.68
MA and PD Mullins	5,400,000	2.99
National Nominees Limited	4,326,374	2.40
Ironbark Gold Limited	4,000,000	2.22
	<u>70,275,918</u>	<u>38.93</u>

The top 20 shareholders at 29 July 2011 owned approximately 68.61% of the ordinary issued capital of the Company. Jungle Creek Mines is the underlying beneficial owner of approximately 11% of Waratah (shareholding under the name of UBS Wealth Management as noted above).

- 2.2 If the Acquisition is completed by acquiring 100% of the issued capital of Galina BVI, \$3,000,000 cash would be paid to the Vendors and Facilitators (nil to Witham) and Witham would increase his ordinary shareholding interest from 3,028,581 ordinary shares (held indirectly) to 3,695,239 ordinary shares representing an approximate 1.94% interest in the expanded capital of the Company (before the issue of up to 5,133,334 Milestone Purchaser A and B Shares to Witham and before the exercise of any share options). The number of ordinary shares on issue after approval of resolutions 1 and 2 and the issue and allotment of Purchaser Shares would be 190,533,736. If all of the 47,000,000 Milestone Purchaser A and B Shares are issued on meeting the various milestones noted above, Witham's ordinary shareholding interest (directly and indirectly) would increase to 8,828,583 ordinary shares and this would represent an approximate 3.72% ordinary shareholding interest in Waratah (in the absence of any other ordinary share issues, including on exercise of share options) (a total of 237,533,736 ordinary shares would be on issue). The movement in the ordinary shares may be as follows:

Shares on issue as at 29 August 2011	180,533,736
Issue of the Purchaser Shares - Tranche 1	5,000,000
Issue of the Purchaser Shares - Tranche 2	<u>5,000,000</u>
Shares on issue prior to the issue of any Milestone Purchaser Shares	190,533,736
Issue of Milestone Purchaser Shares	
Issue of Milestone A Purchaser Shares to Vendors	15,750,000
Issue of Milestone A Purchaser Shares to Facilitators	<u>9,750,000</u>
Shares on issue after issue of Milestone A Purchaser Shares	216,033,736
Issue of Milestone B Purchaser Shares to Vendors	13,750,000
Issue of Milestone B Purchaser Shares to Facilitators	<u>7,750,000</u>
Shares on issue after issue of Milestone B Purchaser Shares	237,533,736

Further shares may be issued on the exercise of the below mentioned share options.

- 2.3 As at 29 August 2011 there are 16,000,000 unlisted share options outstanding exercisable at 17.5 cents each, on or before 28 November 2013, 1,600,000 unlisted share options exercisable at 20 cents each, on or before 28 November 2013, 4,800,000 unlisted share options exercisable at 40 cents each on or before 29 September 2012 and 6,000,000 unlisted share options exercisable at 20 cents each on or before 14 April 2014.
- 2.4 The current Board of Directors is not expected to change in the near future as a result of the Acquisition.
- 2.5 The cash outlay under the Consideration is a total of \$3,000,000 (plus indirect acquisition costs).

3. Corporate History and Nature of Businesses

- 3.1 Waratah is listed on the ASX (from 17 July 2008). Its main activity since listing on ASX has been in mineral exploration and its most significant project is the 90% interest in Afriresources Congo S.A. which holds a 100% interest in the Youkou Iron Ore Project in the ROC. The Company is actively undertaking exploration and evaluation on the Youkou Iron Ore Project with the aim to prove up Direct Shipping Haematite Ore. The Afriresources acquisition was completed in October 2010 at a cost of \$1,723,963 cash and 5,500,000 pre consolidated shares with a value of \$2,750,000. The Company in 2011 has also completed a share placement to raise approximately \$5,760,000 and undertook in April 2011 a 1 for 4 consolidation of capital. The share placement was undertaken at the equivalent of 30 cents per post consolidated share. The Company also changed its name from Waratah Gold Limited following shareholder approval.
- 3.2 Galina BVI is a BVI registered company who is an 80% shareholder in Nyive whose only asset is ownership or potential ownership of the Okanabora Iron Ore Project (Okanabura 1 and Okanabura 2 Tenements) in the ROC. We have been advised that due diligence has been undertaken on Galina BVI, Nyive and the Okanabora Iron Ore Project and that Galina BVI and Nyive have no liabilities or warrants that they will have no liabilities at the time the Acquisition proceeds. Nyive will have mineral exploration obligations to maintain the interests of the Tenements comprising the Okanabora Iron Ore Project.

4. Future Directions of Waratah

4.1 We have been advised by the directors and management of Waratah that:

- There are no proposals currently contemplated either whereby Waratah will acquire any further properties or assets from the Vendors, including Witham however Waratah will issue Purchaser Shares and possibly Milestone Purchaser Shares to the Vendors and Facilitators and pay \$3,000,000 cash to unrelated Vendors and Facilitators as outlined above in relation to the Acquisition, or where Waratah would transfer any of its property or assets to the Vendors;
- The composition of the Board is not proposing to change in the short term but may change as the Company evolves in the ordinary course;
- The Company may seek to raise further working capital by way of share issues in the future. No decision has been made by the Board and funds will only be raised as and when required;
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and
- The Company will endeavour to enhance the value of its interests in its existing iron ore assets and seek to exploit the effective 80% interest in the iron ore assets being acquired (via acquiring 100% of Galina BVI that owns 100% of Nyive that owns or is obtaining a 100% interest in the Okanabora Iron Ore Project).

5. Basis of Valuation of Waratah

5.1 Shares

5.1.1 In considering the proposals to acquire Galina BVI, we have sought to determine if the consideration payable by Waratah to the Vendors (including the interests of Witham) is fair and reasonable to the existing non-associated shareholders of Waratah (not associated with Witham).

5.1.2 The offer would be fair to the existing non-associated shareholders if the value of the asset being acquire being 100% of the shares in Galina BVI (that owns 80% of Nyive that owns or is obtaining a 100% interest in the Okanabora Tenements being the Okanabora Iron Ore Project) is greater than the implicit value of the consideration to be provided in return. Accordingly, we have sought to determine the value that could reasonably be placed on Waratah shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of an ordinary Waratah share (and also a Galina BVI share) are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net backing and windup value; and
- The market price of Waratah shares.

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Waratah is an early stage exploration company. Accordingly, it has not generated operating earnings. No such earnings can be forecast with any certainty as a result of uncertainty about the eventual mine plan. Due to Waratah's current operations, a lack of profit history arising from business undertakings and the lack of a reliable future cash flow from a current business activity, we have considered these methods of valuation not to be relevant for the purpose of this report. The Company's Youkou Iron Ore Project has potential but it is too early to reliably forecast cash flows from its development and operation.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Waratah could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Waratah have informed us that there are no bids under consideration and hence this valuation methodology is not available. It is possible that an offer may be made in the future.

5.4 Adjusted Net Asset Backing

5.4.1 We set out below an unaudited Statement of Financial Position (Balance Sheet) of Waratah as at 30 June 2011 along with a pro-forma consolidated Balance Sheet "A" assuming the following:

- The acquisition of Galina BVI by way of the payment of \$3,000,000 and the issue of 10,000,000 Purchaser Shares at a deemed 30 cents per share (deemed fair value of the Purchaser Shares being \$3,000,000) and the accounting for the potential issue of up to 47,000,000 Milestone Purchaser Shares as a contingent consideration with no value attributable to such shares in the pro-forma statement of financial position; and
- The payment of an estimated \$100,000 in indirect costs relating to the Acquisition.

	Waratah (as adjusted) 30 June 2011 \$000's	Waratah Consolidated Pro-forma A 30 June 2011 \$000's
Current Assets		
Cash	5,342	2,242
Receivables	64	64
	5,406	2,306
Non Current Assets		
Fixed assets	4	4
Capitalised exploration costs	4,983	10,983
	4,987	10,987
Total Assets	10,393	13,293
Current Liabilities		
Trade and other payables	258	258
Provisions	11	11
Total Current Liabilities	269	269
Total liabilities	269	269
Net Assets	10,124	13,024

Equity		
Issued capital	13,898	16,898
Reserves	1,321	1,321
Accumulated losses	(5,095)	(5,195)
Total Equity	10,124	13,024

5.4.2 The book net tangible asset backing as at 30 June 2011 (as adjusted) equates to approximately 2.82 cents (180,533,736 ordinary shares on issue). Based on the book values of the pro-forma A Balance Sheet, this equates to a value per fully paid share post the Acquisition (190,533,736 ordinary shares on issue) of approximately 6.83 cents (ignoring the value, if any, of non-booked tax benefits). If the Milestone Purchaser Shares are issued (and assuming no share options are exercised), the total number of ordinary shares on issue would increase to 237,533,736 and the value per ordinary share on issue would alter to approximately 5.48 cents (using 30 June 2011 unaudited balance sheets). However, the value of the Okanabora Iron Ore Project would have arguably increased and the Milestone Purchaser Shares would be accounted for at the market value of an ordinary share in Waratah at the relevant date of issue of the Milestone Purchaser Shares or the date that there was an expectation that the Milestone Purchaser Share hurdles would be met.

5.4.3 We have no reason to consider that the book values of all current assets and non-current assets are not correct. The management of Waratah that they believe the carrying value of all current assets, fixed assets and liabilities at 30 June 2011 (as adjusted) are fair and not materially misstated. As the majority of the mineral assets of Waratah were acquired in October 2010, it was considered that no independent valuation was required of such assets. The market capitalisation of Waratah as at 27 July 2011 approximates \$67,000,000 after deducting cash of around \$5,000,000; the market is effectively placing the balance of the market capitalisation to the Youkou Iron Ore Project. We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Waratah and other parties. We also note it is not the present intention of the Directors of Waratah to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is purely, theoretical. The shareholders, existing and future, must acquire shares in Waratah based on the market perceptions of what the market considers a Waratah share to be worth.

The market has either generally valued the vast majority of junior mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for Waratah shares and the market is kept fully informed of the activities of the Company. Furthermore, for accounting purposes under Australian Equivalents to International Accounting Standards ("A-IFRS"), the consideration for the issue of the Purchaser Shares (and Milestone Purchaser Shares) as part consideration to acquire 100% of Galina BVI will be booked at the fair value of Galina BVI (in effect indirectly mainly the fair value of the Okanabora Iron Ore Project) or more probably at the share price of a Waratah ordinary share (and an assessed value to the Milestone Purchaser Shares) at the date of Acquisition and not any perceived technical value. Accordingly, for the reasons outlined above, we believe that for the purpose of this report, it is not appropriate to use any technical value of a Waratah share in assessing whether the proposal to acquire Galina BVI is fair and reasonable. We believe a pre-announcement market-based approach is a more suitable basis of assessing whether the proposed Acquisition is fair and/or reasonable. In the case of Waratah, the pre announcement price has been taken as prior to 28 July 2011.

5.5 Market Price of Waratah Fully Paid Ordinary Shares

5.5.1 We set out below a summary of the fully paid share prices of Waratah since 1 March 2011 to the date (27 July 2011) immediately prior to the announcement of the details of the consideration to acquire Galina BVI (announced 28 July 2011). The share prices and volumes have been adjusted to reflect the one for four consolidation of capital that occurred on 18 April 2011.

2011	High Cents	Low Cents	Last Sale Cents	Volume Trade (000's)
March	47.2	23.0	30.5	14,886
April	41.0	31.0	38.0	3,156
May	39.5	24.0	26.0	3,688
June	28.0	22.0	25.0	3,123
July (to 27th)	37.5	25.0	37.0	4,203

On 3 March 2011, the Company announced a “high grade DSO Haematite Target” and the volume and share price rose briefly. On 18 April 2011, the Company issued the equivalent of 19,200,000 post consolidated shares to investors at 30 cents per share to raise a gross \$5,760,000.

5.5.2 Generally, the market is a fair indicator of what a share is worth, however the theoretical technical value based on the underlying value of assets and liabilities may be lower or higher. In the case of Waratah, current cash liquidity is reasonable however the Company may need to undertake a capital raising in the future. In the case of Waratah, the monthly volume of trades on the ASX although not high is sufficient enough to argue that an orderly market exists for the Company's shares, particularly after taking into account the low share trading activity of the Company's more significant shareholders. The “market” arguably is fully informed of the Company's activities. It is our opinion that it is appropriate to use a range of recent pre-announcement trading market values as fair values to attribute to the Purchaser Shares to be issued to the Vendors and Facilitators (including 333,334 Related Purchaser Shares Okanabura 1 and 333,334 Related Purchaser Shares Okanabura 2 (which will be restricted for 12 months pursuant to Appendix 9A.6 of the ASX Listing Rules).

5.5.3 The future value of a Waratah ordinary share will depend upon, inter alia:

- The future commercialisation of the iron ore interests (Youkou Iron Ore Project) and the successful exploitation of the Okanabura Iron Ore Project (if an 80% interest is eventually indirectly acquired by acquiring all of the shares in Galina BVI);
- The state of the iron ore markets (and prices);
- Country and political risks and foreign exchange rates;
- Cash position of Waratah;
- The state of Australian and overseas stock markets;
- Membership, control and quality of the Board and management of Waratah;
- General economic conditions; and
- Liquidity of shares in Waratah.

- 5.5.4 We thus consider the fair value of a Waratah share prior to the announcement of the acquisition of Galina BVI for the purposes of this report to lie in the range of 25 cents and 35 cents but noting that some trades in late July have been between 35 cents and up to 37.5 cents. For the purposes of this report, we have considered that it is appropriate to use a range of prices for the Waratah ordinary shares in determining our opinion on fairness. For the purposes of this report we have used 30 cents as the preferred pre announcement share price. The Directors will need to consider the accounting standards in determining the final price attributable to the Purchaser Shares and the Milestone Purchaser Shares to be issued to the Vendors and Facilitators as part consideration to acquire 100% of the shares in Galina BVI that owns 80% of Nyive that owns or is obtaining a 100% interest in the Okanabora Iron Ore Project.
- 5.5.5 Arguably the ordinary shares to be issued to Witham have a lesser value, as they will be restricted from trading for a period of 12 months. A discount of 10% to 20% per annum is commonly applied to shares that have a restriction on trading. However we have not applied a discount to the 666,668 Purchaser Shares Okanabura 1 and 2 to be issued to Witham. However under the IFRS standards on accounting for acquisitions, the shares will be issued at market that in the vast majority of cases will be issued at no discount (even where share volumes are low). It is noted that the Directors of Waratah considered that the market value of Waratah shares at the time of discussions with the Vendors to acquire 100% of Galina was in the range of 28 cents to 34 cents.

Milestone Purchaser Shares

- 5.4.4 The Company may issue up to 15,750,000 Milestone A Purchaser Shares to the Vendors and up to 9,750,000 Milestone A Purchaser Shares to the Facilitators when either the delineation of greater than a 100,000,000 tonne iron ore resource at greater than 30% Fe on the Tenements collectively (or any one of them) and completion of an economic viable prefeasibility study in respect of the tenements (or any one of them). Furthermore the Company may issue up to 13,750,000 Milestone B Purchaser Shares to the Vendors and up to 7,750,000 Milestone B Purchaser Shares to the Facilitators when either the delineation of greater than a 200,000,000 tonne iron ore resource at greater than 30% Fe on the Tenements collectively (or any one of them) and completion of an economic viable feasibility study in respect of the Tenements (or any one of them). The Tenements are relatively unexplored. Very little geological testing, mapping or assessment has taken place with respect to the Tenements, and it is unknown whether a JORC compliant resource is capable of being established on the Tenements, let alone one of the substantial size prescribed by the Milestones. Any estimate as to the potential endowment of the Tenements is highly speculative. It is always difficult to assess the fair value of performance shares as there is to some extent some guess work or estimate as to whether the performance conditions will be met and the time they will be met. In addition, at the time of a vesting condition being achieved, the share price of a company's share may be different (higher or lower) than the price of an ordinary underlying share at the date of issuing the performance shares. To a large extent they are contingent ordinary shares they will only be issued on the relevant Milestones being met. Accordingly, as it is not possible to ascertain at this stage whether the Milestones noted above will be met we have ascribed nil value to the Milestone A Purchaser Shares and the Milestone B Purchaser Shares. It should be noted that any cost attributable to the Milestone A and B Purchaser Shares is not a cash outlay.

If the Milestones are met, the value of the Milestone Purchaser Shares at the date of issue may be substantially greater than the value of an ordinary share in Waratah as trading on ASX in July and to 22 August 2011 (20 cents to 37 cents). However, it would be expected that the value of the Okanabora Iron Ore Project would substantially increase as JORC reserves are proved up and would be far higher than the value attributable to the Okanabora Iron Ore Project by Datamine as noted in paragraph 7.6 below. Based on the above share price range the total value of the Milestone Purchaser Shares would lie in the range of \$9,400,000 and \$17,390,000. The actual values at date of issues may well be significantly higher.

6. Value of Consideration

6.1 Based on pre announcement share prices the consideration range would be:

	Low \$	Preferred \$	High \$
Cash	3,000,000	3,000,000	3,000,000
10,000,000 Purchaser Shares	2,500,000	3,000,000	3,700,000
25,500,000 Milestone A Purchaser Shares (nil value attributable)	-	-	-
21,500,000 Milestone B Purchaser Shares (nil value attributable)	-	-	-
Total Consideration on a pre announcement basis	5,500,000	6,000,000	6,700,000
Ordinary Share price assumed to be	25 cents	30 cents	37 cents

In the event that the Milestone A and B Purchaser Shares are not issued as the Milestones are not met, the total consideration payable would be between \$5,500,000 and \$6,700,000 with a preferred consideration payable of \$6,000,000 (based on the low, high preferred share prices noted above).

5.4.5 However if we attributed 25 cents, 30 cents and 37 cents to the value of the Milestone Purchaser Shares, the total consideration payable would have been disclosed as between \$17,250,000 and \$24,090,000 and a mid value of \$20,100,000. The probability of the Milestone hurdles being met cannot at this stage be determined and thus it is not practicable to allocate a discounted or current fair market value to each class of the Milestone Purchaser Shares. As it is not possible to ascertain this stage as to whether the Milestones noted above will be met we have ascribed nil value to the Milestone A Purchaser Shares and the Milestone B Purchaser Shares. It should be noted that any cost attributable to the Milestone A and B Purchaser Shares is not a cash outlay.

7. Basis of Valuation of Galina BVI (and interests in the Okanabora Iron Ore Project)

7.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.

7.2 Galina BVI is an unlisted public company and therefore it is not possible to assess their market value. No other acquisition offers for these shares have been publicly made.

- 7.3 The Company, in conjunction with us has commissioned Datamine (principal author of the Datamine Valuation Report is Benny Chisonga) to prepare a valuation report of the Okanabara Iron Ore Project owned by Nyive. The Datamine Valuation Report of 22 August 2011 should be read in its entirety and a full copy of the Datamine Valuation Report is attached as an Annexure to the Notice and forms part of the Explanatory Statement to Shareholders. The Datamine Valuation Report ascribes a range of values to the interests in the Okanabara Iron Ore Project and for the purposes of our report we have used the low, high and mid range market valuations referred to in the Datamine Valuation Report.
- 7.4 As the only significant asset of Galina BVI is an 80% shareholding in Nyive whose only asset is its interest in the Okanabara Iron Ore Project the most suitable methodology is to value the shares in Galina BVI on an asset backing basis using fair values for the underlying asset being the Okanabara Iron Ore Project. We have been advised that Galina BVI and Nyive have no material liabilities and no other assets.
- 7.5 We have used and relied on the Datamine Report on the Okanabara Iron Ore Project and have satisfied ourselves that:
- Datamine is a suitably qualified consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mining asset valuations (also the principal author of the report, Benny Chisonga is suitably qualified and experienced);
 - Datamine is independent from Waratah and Galina BVI and its associated entities; and
 - Datamine has to the best of our knowledge employed sound and recognised methodologies in the preparation of the valuation report on the Okanabara Iron Ore Project.
- 7.6 Datamine has provided a range of market values of the interest in the Okanabara Iron Ore Project in the Republic of Congo. Datamine has ascribed a range of values as follows (and converted to Australian dollars as noted in the Datamine report):

	Low A\$	Preferred A\$	High A\$
Okanabara Iron Ore Project	3,514,875	7,615,563	11,716,250

- 7.7 Using the fair values of the Okanabara Iron Ore Project and based on the assumptions provided to us of no other assets in Galina and Nyive and no liabilities, the net fair value of Galina BVI is expected to lie in the range of \$3,500,000 and \$11,700,000 with a preferred fair value of \$7,600,000 (rounded by Datamine).

Thus the fair value an 80% interest is in the range of \$2,800,000 and \$9,360,000 with a preferred fair value of \$6,080,000

8. Conclusion as to Fairness

- 8.1 The proposal to acquire 100% of the shares in Galina BVI that has an 80% interest in Nyive that has the interests or is obtaining the interests in the Okanabara 1 and 2 iron ore Tenements (Okanabara Iron Ore Project) in the ROC for the Considerations noted in paragraph 1.2 is believed fair to Waratah's non-associated shareholders if the value of the consideration offered is equal to or less than the value of 80% of the shares in Galina BVI being acquired.

- 8.2 Due to the nature of the business of Galina BVI and Nyive, valuations are largely dependent upon the value placed on the Okanabora Iron Ore Project of Nyive. The valuation of such interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.
- 8.3 We have examined below the values attributable to the shares proposed to be issued and the value of the consideration offered by Waratah to the Vendors (including Witham).

	Low \$	Preferred \$	High \$
Assessed value of Galina BVI based on independent valuation of the Okanabora Iron Ore Project - 80%	2,800,000	6,080,000	9,360,000
Value of consideration payable by Waratah using a pre-announcement market based approach (refer below)	5,500,000	6,000,000	6,700,000
Excess/Deficiency between Value of 80% of Galina and the Value of the Consideration	(3,700,000)	80,000	2,660,000

- 8.4 **On a pre-announcement market value approach, the proposed Acquisition that includes the issue of 666,668 Witham Purchaser Shares and up to 5,133,334 Milestone A (2,733,334) and B Purchaser (2,400,000) Shares to Witham as noted in resolution 2 is considered on balance to be fair.** The Witham Purchaser Shares to be issued to Witham for the part acquisition of 100% of Galina BVI will be classified as 'restricted securities' by the ASX and escrowed from trading for a period of 24 months.

It is noted that the share price of a Waratah share post 27 July 2011 and to 23 August 2011 has traded on ASX at between 20 cents and 37.5 cents with a last sale on 23 August 2011 of 25.5 cents. If these prices were used, the initial consideration (placing no values on the Milestone A Purchaser Shares and the Milestone B Purchaser Shares) of between \$5,000,000 and \$6,750,000 with a value of \$5,550,000 using 25.5 cents for a Waratah ordinary share.

Notwithstanding that the Waratah share price (closing price of 27 cents as at 29 August 2011 each shareholder needs to examine the share price of Waratah and market conditions at the time of exercise of vote to ascertain the impact, if any, on resolution 2. The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

9. Reasonableness of the Acquisition

- 9.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Acquisition.

Advantages

- 9.2 Datamine has ascribed a range of values to the Okanabora Iron Ore Project that is considered to be a potentially attractive package hosting iron mineralisation that can be subject of detailed exploration work. If iron ore mineralisation is found on the Tenements, then the value of the asset will be substantially greater than the value of the consideration due to the resulting increase in the Waratah shares trading on ASX. However, there is no guarantee that such assets can be

commercially exploited and essentially at this point of time the Project is relatively unexplored.

- 9.3 The continuing viability of the Company as a going concern depends on identifying suitable opportunities which will sustain a viable business. The Acquisition presents an opportunity to explore for minerals on the Projects.
- 9.4 Through the acquisition of Galina BVI, a larger market capitalisation and enhanced shareholder base should provide a more liquid stock.
- 9.5 The Acquisition will allow the Company to increase in scale and make an important step towards becoming a major iron ore producer utilising new infrastructure. The acquisition of a second project, within reasonable proximity to the existing asset, Youkou, increases the scale of any eventual development and therefore bolsters the probability that an economic infrastructure solution may be found to commercialise Youkou.
- 9.6 If the Milestones are met as noted in paragraph 1.2 above and in the Explanatory Statement attached to the Notice there would be an expectation that the share price of a Waratah ordinary share trading on ASX may be higher than the share price of a Waratah share trading on ASX in July 2011 and to 23 August 2011 and all shareholders benefit from a increased share price.
- 9.7 Given the substantial weighting of the consideration package to Milestone payments, a significant performance related reward has been incorporated. Therefore, the Vendors and Facilitators are most attractively rewarded in the event that Okanabora hosts a substantial iron ore system which will in turn assist Waratah in becoming a successful iron ore production company.

Disadvantages

- 9.8 The number of fully paid ordinary shares on issue initially rises by 10,000,000 to 190,533,736 and may rise to 237,533,736 if all Milestone A and B Purchaser Shares are issued as a result of the milestones being met (before exercise of any existing or new share options). This could represent an approximate 31.57% increase in the ordinary shares of the Company before the issue of any further shares. However the final percentage interests will depend on, inter-alia the number of Milestone Purchaser Shares that are issued (Milestones will need to be met before Milestone Purchaser Shares are issued) and number of other shares that may be issued in the future. The Vendors and Facilitators collectively will initially control approximately 8.88% of the expanded capital of Waratah (two of the Vendors are shareholders of Waratah owning between them 6,920,000 shares). The collective percentage interest of all Vendors and Facilitators if all Milestone A and B Purchaser Shares are issued could own approximately 26.91% of the expanded issued capital of the Company (assuming no other share issues), however there is an incentive to the Vendors and Facilitators collectively to ensure Waratah becomes a successful iron ore production company.

Other Factors

- 9.9 In general terms, investments in listed exploration companies are high risk and for those shareholders who consider that the proposed Acquisition from the Vendors and Facilitators is a risk worth taking, then the proposed Acquisition under resolutions 1 and 2 may be reasonable. The Okanabora Iron Ore Project is in the ROC (as is the Company's existing iron ore project) and this comes with country and political risks.

- 9.10 The Okanabora Iron Ore Project may not turn out to be commercially viable and thus losses may be incurred.
- 9.11 The Milestone Purchaser A and B Shares are issued for no cash consideration and the value of both classes of Milestone Purchaser Shares if issued may be higher than the share prices of an ordinary share in Waratah trading on ASX in July 2011 and to 23 August 2011.
- 9.12 The Company has already paid the Initial Cash Payment to one of the Facilitators, which is repayable if any of the Conditions are not satisfied for any reason on or before 30 September 2011 or if Settlement does not occur. The Company may have to take steps to recover this money from the Guarantors.
- 9.13 The Company on completion of the Acquisition may need to raise further working capital and issue new shares that may result in a dilution of the existing shareholders interest in Waratah (albeit a larger company with two iron ore projects).

10. Conclusion as to Reasonableness

- 10.1 After taking into account the factors referred to in 10 above and elsewhere in this report, we are of the opinion that the proposed Acquisition (and in particular, the issue of 666,668 Witham Purchaser Shares and the possible issue of up to 5,133,334 Milestone A and B Purchaser Shares to Witham as noted in paragraph 1.2 and resolution 2 in the Notice) may be considered, on balance, **to be reasonable** to the non-associated shareholders of Waratah.

11. Sources of Information

- 11.1 In making our assessment as to whether the proposed Acquisition as noted in paragraph 1.2 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, the Okanabora Iron Ore Project, Galina BVI and Nyive that is relevant to the current circumstances. In addition, we have held discussions with the management of Waratah about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Waratah.
- 11.2 Information we have received includes, but is not limited to:
- Draft Notice's of Waratah and draft Explanatory Statements to Shareholders prepared in July 2011 and early August 2011;
 - Discussions with management and directors of Waratah;
 - Details of historical market trading of Waratah ordinary fully paid shares recorded by ASX for the period 1 March 2011 to 20 September 2011;
 - Shareholding details of Waratah as supplied by the share registry as at 29 July 2011;
 - Un-audited consolidated balance sheet of Waratah as at 30 June 2011;
 - Announcements made by Waratah to the ASX to 20 September 2011;
 - The Independent Datamine Valuation Report of 22 August 2011;
 - The cash flow forecasts of Waratah for 2011/12;
 - The SSA between Waratah and the Vendors and Facilitators and Deed of Variation of August 2011; and
 - The three Facilitation Agreements and an update letter relating to one of the Facilitators of 21 August 2011.

11.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)

A handwritten signature in dark ink, appearing to read 'J P Van Dieren', followed by a long horizontal flourish.

J P Van Dieren - FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 21 September 2011, relating to the issue of 666,668 Witham Purchaser Shares and up to 5,133,334 Milestone A and B Purchaser Shares to Witham as part consideration for all of the shares in Galina BVI as outlined in paragraph 1.2 of the report and resolution 2 in the Notice of Meeting to Shareholders to be distributed to shareholders in September 2011.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Waratah, Galina BVI and the Vendors and Facilitators other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$18,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Waratah or Galina BVI. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Pty Ltd are the directors of Stantons International Securities and its affiliated company Stantons International Audit and Consulting Pty Ltd. Stantons International Securities and Stantons International Audit and Consulting Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Waratah in order to assist them to assess the merits of the acquisition of all of the shares in Galina BVI (outlined in resolutions 1 and 2 and the Explanatory Statement but technically only concluding on the fairness and reasonableness of the proposals outlined in resolution 2) to which this report relates. This report has been prepared for the benefit of Waratah's shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of Waratah, Galina BVI, Nyive and the assets of Waratah, Galina BVI and Nyive. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Waratah and its existing subsidiaries, Galina BVI or the ownership of the shares in Nyive and ownership of the Okanabora Iron Ore Project. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities, Stantons International Pty Ltd, and Stantons International Audit and Consulting Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Waratah and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Waratah has agreed:

- a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which Waratah may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Waratah; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from Waratah or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Waratah or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Waratah directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 21 September 2011**

1. Stantons International Securities ACN 103 088 697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.
2. Financial Services Guide

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

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

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

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

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

8. Associations and relationships

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Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

Independent Geologist's Report Kéka Range Project, Republic of Congo



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0 EXECUTIVE SUMMARY

This report has been prepared by CAE Mining (CAE) at the request of the Waratah Resources Limited (Waratah) which has commissioned this valuation of the Kéka Range iron ore project (Kéka Range Project or Okanabora). Waratah Resources Ltd (Waratah) has entered into an agreement to acquire an entity which holds an 80% interest in two (2) contiguous licenses for iron ore prospecting from the Ministry of Mines, Republic of Congo (Congo). This report is to be included as an Appendix into an Independent Expert's Report to be prepared by Stanton International Securities.

The valuation is valid at the valuation date of 22 August 2011.

The Kéka Range Project is comprised of two contiguous licenses covering an area of 937 “square kilometres” km²: Kéka 1 and Kéka 2. The project area is located in the Republic of Congo (Congo) approximately 700 kilometres (km) from Brazzaville and a further 1200 km from the port city of Pointe Noire (Figure 0.1).

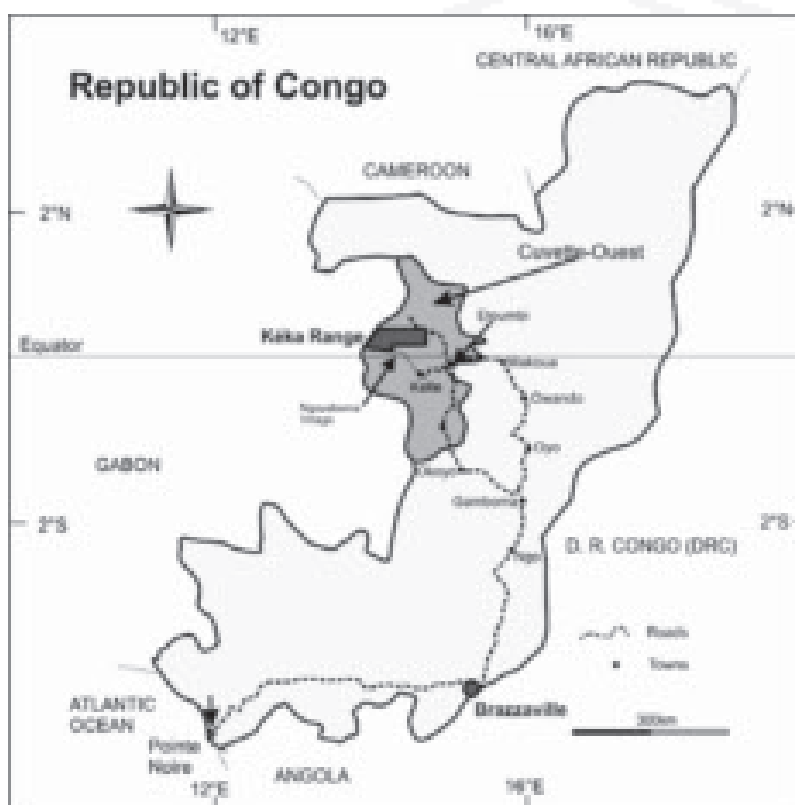


Figure 0.1 Location map of Kéka Range project

The oldest rocks in Congo belong to the Chaillu-Ivindo Massif and include granitoids and numerous greenstone belts composed of amphibolites and ferruginous quartzites. The Chaillu-Ivindo Massif is host to a number of multiple iron ore deposits in Congo, Gabon and Cameroon. These include the Zanaga, Mbalam, Avima, Badondo, Youkou and Mayoko projects all of which are currently being explored. The geology of the Kéka Range project is dominated by basement rocks of the Chaillu-Ivindo massif. The iron bearing unit has been historically mapped as ferruginous quartzite. The project is characterized by three distinct ferruginous quartzite ranges that are intermittently exposed northwest of the village of Ngoyeboma. They trend northwest and are exposed for a distance of 20 km or more.

The Kéka Range project, even though comparable to other iron projects in the sub –region, remains essentially unexplored. However, recent analyses of a limited suite of iron-rich samples have revealed what appears to be itabirite-style mineralization with iron oxide (Fe_2O_3) contents of up to 50% weight percent (wt).

Current exploration has focussed on identifying the presence of iron bearing units that have the potential to host economic quantities of iron ore similar in character to that observed in other projects in the sub-region. By means of a reconnaissance site visit and technical review, CAE independently confirmed the existence of ferruginous quartzites in the project.

CAE considers the Kéka Range project to comprise a potentially attractive package hosting iron mineralization that can be the subject of detailed exploration work.

CAE has made use of the Kilburn Geoscientific Method in the valuation of the Kéka Range project (Table 0.1; refer to formula in section 6). In this method the Base Acquisition Cost (BAC) for the Exploration License similar to the one provided by Galina is US \$400 per 16 ha. At a typical exchange rate of USD\$1 = AUD\$1, this is equivalent to AUD\$400 per 0.16 km²

Table 0.1: Kéka Range Project's potential valuation (AUD\$)

License	Area (km ²)	BAC	Off property		On property		Anomaly		Geology		Lower Range	Upper Range	Preferred
			Low	Upper	Low	Upper	Low	Upper	Low	Upper			
Kéka Range 1	479.3	\$1,198,250	1	2.5	1	1	1	1	1.5	2	\$1,797,375	\$5,991,250	\$3,894,313
Kéka Range 2	458	\$1,145,000	1	2.5	1	1	1	1	1.5	2	\$1,717,500	\$5,725,000	\$3,721,250
TOTAL											\$3,514,875	\$11,716,250	\$7,615,563

Therefore, the potential of the Kéka Range project is valued in the range of AUD \$3.5 M to AUD \$11.7 M, with a preferred value of AUD \$7.6 M. Based on a total area of 937.3 km² for the Kéka Range Project, this equates to an implied value of AUD\$ 3,750 per km² to AUD\$ 12,500 per km².

The valuation should, however, be considered in light of potential **RISKS** that may affect the Mineral Asset, including the following:

- CAE has sighted but has not independently verified the Exploration License which documents the size of the License.
- The Kéka Range Mineral Asset is an early stage exploration property. While CAE has undertaken a site visit to the area and reconnaissance mapping, the samples for geochemical analyses are presently considered insufficient.
- The method employed by CAE is based on a potential value and does not include discounts to the technical value or market factors.

In light of the information, above, it seems that the value determined for the Kéka Range Project represents "Fair Market Value" for projects of this size, location and level of exploration.

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1 INTRODUCTION

Waratah Resources Ltd (Waratah) has entered into an agreement to acquire an entity which holds an 80% interest in two (2) contiguous licenses for iron ore prospecting from the Ministry of Mines, Republic of Congo (Congo). These are Kéka 1 and Kéka 2, which together are called the Kéka Range iron ore project ("Kéka Range project" or Okanabora).

This report has been prepared by CAE Mining (CAE) at the request of the Waratah Resources Limited which has commissioned this report on the Kéka Range Project. This report is to be included as an Appendix into an Independent Experts Report to be prepared by Stanton International Securities.

Waratah has entered into an agreement with Galina Iron (BVI) (Galina) whereby Waratah will acquire an 80% interest in the Kéka Range project. Galina is the current licence holder of the Kéka Range Project.

1.1 Statement of Competence

Mr. Benny Chisonga, the principal writer of this report, was commissioned by Waratah to undertake a reconnaissance survey to evaluate the potential occurrence of iron ore mineralization in the area of the prospecting license. Mr. Chisonga has visited and is familiar with the Kelle district, in the Cuvette-Ouest province within which the licenses are located, and has also relied on information supplied by Waratah.

Mr. Benny Chisonga, MSc. **Geology**, BSc, Pr. Sci. Nat., is a professional geologist registered with the South African Council for Natural Scientific Professions (SACNASP) and a member of the Geological Society of South Africa (GSSA). He will be awarded a PhD (Geology) on iron ore geology by the University of Johannesburg at a graduation ceremony in October 2011. Benny has over six years experience in exploration and resource geology, and has recently worked on iron ore projects in West Africa. He has provided independent technical assistance on projects in Zambia, South Africa, Zimbabwe and Central African Republic.

The work has been reviewed by Marius van Niekerk, M.Sc. (Mining), B.Sc. (Hons.) **Geology**, Pr. Sci. Nat., Technical Services Manager at CAE. Marius has more than fifteen years experience in mining, operations and exploration geology and is deemed a Competent Person ("CP") for iron ore, in terms of international reporting codes such as South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC) and other reciprocal organizations worldwide.

Avrom E. Howard, MSc. **Geology**, FGA, PGeo, an Associate Geologist at CAE and is a Practising Member of the Association of Professional Geoscientists of Ontario (Canada). He holds a Bachelor of Science degree in Geology from the University of Toronto, obtained in 1979, and a Master of Science degree in Geology from the University of Colorado at Boulder, obtained in 1991. He is a minerals exploration geologist with over thirty years global experience encompassing a wide variety of geological and geographic settings and mineral deposit types. Mr. Howard has reviewed this report and provided details for its Valuation section (Section 6)

Neither CAE nor the writers of this report have, or have had previously, any material interest in Waratah or related entities or interests. The relationship with Waratah is solely one of professional association between client and independent consultant. This report is prepared in return for fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

1.2 Valuation of Mineral Assets

This report is prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (Valmin Code, 2005). The authors of this report are members of the South African Council for Natural Scientific Professions (SACNASP) and a member of the Geological Society of South Africa (GSSA) and the Association of Professional Geoscientists of Ontario (Canada), all reciprocal organizations recognized by the Valmin Code.

The opinions expressed in this document regarding the technical aspects and the valuation is valid at the valuation date of 16 August 2011. The validity of the report may vary in response to economic, legal, technical or political conditions. This report is based on the valuation of a Mineral Asset, so all subsequent references to the asset are restricted to that and do not include Petroleum Assets.

The Code makes provision for establishing a “Fair Market Value” for a Mineral Asset. This is the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the Code for which the Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion. The value is usually comprised of two components, the Technical and Market components, which when combined make up a Market Value. The preferred value is the most likely figure from within a range after taking account the **RISK** and possible variation in grade, metallurgical recovery, capital and operating costs, commodity prices and exchange rates.

1.3 Methods of valuing Mineral Assets

A number of methods are available to the Expert to establish a ‘Fair Market Value’ for a Mineral Asset. Different methods are applicable depending on the nature of the Asset, whether it has an operating Mine, has a JORC-compliant Mineral Resources or whether it is in exploration stage.

Mineral Assets with Mineral Resources and Reserves

For Mineral Assets where Mineral Resources are available the common practice is to value them on the basis of a Discounted Cash Flow (DCF). This analysis takes into account the Technical Value of the project if it were developed under present economic conditions. If the Mineral Resource can be converted to Mineral Reserves, the Net Present Value (NPV) of the project can be established by discounting any future cash flows based on a given discount rate. All these methods take into account a number of key aspects, including:

- Confidence in the Mineral Resources/Reserves
- Metallurgical Characteristics
- Cost of Extraction
- Economies of scale

Comparable Market Value methods are regularly employed if a Mineral Resources exist, but its economic value has not been determined by scoping studies. In such cases, the approach is to benchmark the value of the Mineral Asset against comparable “Fair Market Values” of similar Mineral Assets and to assign a dollar per tonne value to the asset. The Expert in this case takes into account a number of key “Technical” aspects, including:

- Confidence in the Mineral Resources/Reserves
- Average grade of the Mineral Resource
- Metallurgical characteristics
- Infrastructure
- Capital and Operating Costs

Mineral Assets without Mineral Resources

For Mineral Assets that are at an early stage of exploration (i.e. without Mineral Resources), it is extremely difficult to establish a “Fair Market Value”. In these instances, the professional opinion of the Expert including the geology of the area and prevailing market conditions are critical to attach a value. The Valmin Code makes provisions to determine a range of values and a preferred value of the Asset, taking cognizance of the fact that valuations may be different depending on different Experts. Consequently, early stage exploration projects are routinely valued by a number of different methods:

- Kilburn Geoscientific Method
- Multiple of Exploration Expenditure
- Joint Venture method
- Comparable Market Value

The Kilburn Geoscientific Method is a purely geoscientific method which focuses on the potential of the property with no defined Mineral Resources. The Multiple of Exploration Expenditure method focuses on exploration while the Joint Venture method is an expenditure-based approach. Comparable Market Value methods employ market comparisons of similar projects based on infrastructure and other considerations. Since these methods are employed for Assets that have no Mineral Resources, some practitioners, such as Snowden Mining Industry Consultants (Snowden; Jupiter Mines Limited Independent Valuation, 2008) recommend that the Expert should consider the following factors:

- Geological Setting of the Mineral Asset
- The relative size of the property
- Exploration results, if available
- Evidence of Mineralization on adjacent property
- Proximity to mining operations or advanced exploration projects
- Proximity to Infrastructure

1.4 CAE's valuation preference

Based on CAE's experience, these methods are complementary and should only rarely be used in isolation. The Kéka Range project represents an early exploration-stage Mineral Asset. No Mineral Resources are reported. Therefore, taking into consideration all the factors associated with valuing Mineral Assets with no Mineral Resource, CAE considers the Kilburn Geoscientific Method to be the most appropriate method to undertake the current valuation, with some consideration given to other methodologies.

The Kilburn Geoscientific Method is one of several geoscientific factor methods (Thompson and Derry, 1999) modified by Lionel Kilburn in 1990. Kilburn (1990 and 1998)'s method of valuation of mineral properties which do not have exploitable Mineral Resources and Reserves focuses on four main characteristics of mineral properties. These include location, inclusion of valuable mineralization, inclusion of geophysical and/or geochemical targets and inclusion of geological targets. These four are subdivided into 19 subcategories, which are used to determine the value of the property based on assigned relative value factors of up to 10 (Table 1.1). The governing principle is based

on the potential base value (referred to as Base Acquisition Value BAC)), which may vary from country to country, although Kilburn postulated a value of \$400 to \$450 per 16 to 24 hectare unit.

CAE has adopted the modification to the Kilburn Geoscientific method as proposed by Snowden in their valuation of Mineral Assets of Jupiter Mines Limited (Jupiter Mines Limited Independent Valuation, 2008) as shown in Table 1.1. In arriving at the valuation for the Kéka Range, CAE is guided by Kilburn's postulation of a value of \$400 per 16 hectare unit.

Table 1.1: Kilburn rating methodology as modified by Snowden

Rating	Off property factor	On property factor	Anomaly factor	Geological factor
0.1				Generally unfavorable lithology
0.2				Generally unfavorable lithology with structures
0.3				
0.4				Generally favorable lithology (10% - 20%)
0.5			Extensive previous exploration with poor results	Alluvium covered, generally favorable lithology (50%)
0.6				
0.7				
0.8				Generally favorable lithology (50%)
0.9				
1	No known mineralisation	No known mineralisation	No targets outlined	Generally favorable lithology (70%)
1.5	Minor workings	Minor workings		Generally favorable lithology
2	Several old workings	Several old workings	Several well defined targets	Generally favorable lithology with structures
2.5	Abundant workings	Abundant workings		
3			Several insignificant sub-economic intersections	Generally favorable lithology with structures along strike of a major mine
3.5	Abundant workings/mines with significant historical production	Abundant workings/mines with significant historical production		
4				
4.5				
5	Along strike from a major mine	Major mine with significant historical production	Several significant ore grade correlatable intersections	
10	Along strike from a world class mine			

In preparation of this valuation, CAE has not taken into account the effect of environmental concerns and Native Titles claims.

2 KÉKA RANGE TENEMENT

2.1 Location, Access and Physiography

The licenses (Kéka 1 and Kéka 2) that comprise the Kéka Range project are shown in Figure 2.1. Both areas lie in the west of the Kelle district, in the Cuvette-Ouest province, in the western part of central Congo. The Cuvette-Ouest province is bordered on the west by Gabon.

The two contiguous licenses in that Kéka Range area cover an area of 937 km². The Keka Range project is located just north of the Equator adjacent to the border with Gabon. Access for both areas is via road from Brazzaville, via Owando, Makoua, Etoumbi, Kelle, then smaller road to the Village of Ngoyeboma (Figure 2.1). The only village located within the area is Ngoyeboma, whose inhabitants number roughly 200.

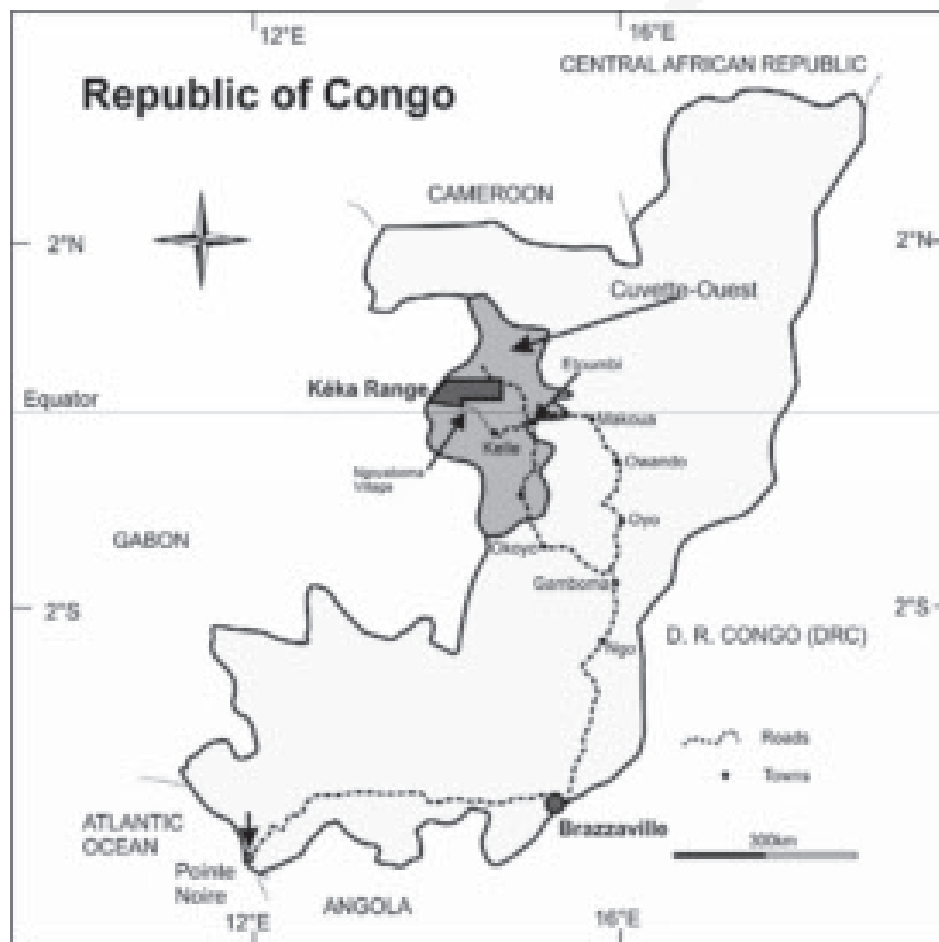


Figure 2.1 Location map of Kéka range iron ore project

The property area features undulating relief with hills/ridges and soft slopes covered by dense vegetation. There are three prominent ridges that trend towards the northwest. Elevation ranges between 400 and 650 metres above mean sea level. Locally, there are only a few incised drainages. The drainage network in the area is dense, with a number of distributaries draining into the main Lébangou and Lossi Rivers. Thick soil and vegetation masks the underlying rock; rock outcrops are scarce.

Similar to other regions of Congo, the climate is tropical equatorial with two prominent rainy seasons: the first runs from the beginning of February to the end of March, and the second season runs from the beginning of October to the end of December. The rest of the year is characterised by two dry periods (June to September and the month of January). Average rainfall is also characteristic of the country, usually exceeding 1,800 millimetres (mm) or 1.8 m.

The equatorial rainforest is characterised by various indigenous plants that dominate the area. Timber resources are abundant although they are not currently exploited. Historical artisanal gold mining is recorded in the area and is still going on in places outside the boundaries of the Kéka Range area.

Animal grazing is nonexistent with the main occupation of the inhabitants being traditional small-scale farming of cassava for home consumption as well as localized hunting.

2.2 Infrastructure

The main elements of local infrastructure in the Kéka Range consist of a narrow dirt track to Kelle town. This is only passable by pedestrian traffic although it is also regularly used by motor bikes. Beyond Kelle town, the main road runs from Kelle to Etoumbi in the Cuvette-Ouest province, to Makoua through to Owando and Brazzaville beyond. At Etoumbi there is a river ferry that is a regularly used mode of transport (Figure 2.2), with barges being quite common, as well.

Kelle town is the nearest administrative centre, where the municipal administration is to be found including the offices of the Mayor, Chief and Police.

The Kéka iron range itself is well located in terms of planned infrastructure for the region given a number of other iron projects in the area, including the Youkou, Mbalam, Nabeba and Avima projects (referred to in greater detail in Section 6 of this report). The Kribi sea port in Cameroon can be accessed by means of railway haulage or road haulage and barging down to the Congo River and the main Congo Railways to the port at Pointe Noire. The former places the project only 150 km to the Mbalam project while the latter proposes a distance of less than 80 km to the Etoumbi river for barging.



Figure 2.2 Ferry transport at Etoumbi town

2.3 Tenement Details

The coordinates for Kéka 1 and Kéka 2, the two licenses that comprise the Kéka Range project, are shown in Table 2.1 and Table 2.2. The licenses are held through Nyive Congo SA (registered in Congo). Galina Iron BVI owns 80% of Nyive Congo SA. CAE has had sight of this license, and the date of acquisition is given as 20 July 2011 under decree n°2011-466, as well as legal due diligence report prepared by PriceWaterhouse Coopers (PWC)'s tax and legal division of Congo. The present report has been prepared on the understanding that the assets are lawfully accessible for evaluation and possible future development. The precise size of the two licenses in the Kéka Range area is as follows: Kéka 1 - 479.3 km² and Kéka 2 – 458 km².

Table 2.1 Kéka 1 license coordinates

CORNER	LONGITUDE	LATITUDE
A	14°09'11"E	00°10'30"N
B	14°09'11"E	00°20'42"N
C	13°58'12"E	00°20'42"N
D	13°54'28"E	00°10'30"N
Border :	Congo	Gabon

Table 2.2 Kéka 2 license coordinates

CORNER	LONGITUDE	LATITUDE
A	14°09'11"E	00°15'00"N
B	14°09'11"E	00°20'27"N
C	14°33'39"E	00°20'27"N
D	14°33'39"E	00°15'00"N

2.4 Status of Mineral Property Title in Congo

The latest mining policy of the Congo became law in April 2005 and is based upon the latest constitution of the Congo, dated 20 January 2002. The policy is considered progressive and largely supportive of both local and foreign investment.

The present policy proclaims that all Mineral Resources are owned by the State. However, prospecting, exploration and exploitation are permitted by private entities, as follows:

1. The authorisation to prospect (“L’autorisation de prospection”) allows geological prospecting at the Earth’s surface for a defined mineral substance. This authorisation is non-exclusive and can be simultaneously granted to several parties. The authorisation is valid for 1 year and can be extended for another year. The authorisation can be extended to include other mineral substances upon application by the holder of such authorisation. Depending on the results of the prospecting activities, the holder of such authorisation may apply for:
 - a permit for mineral exploration;
 - authorisation for exploitation of minerals and area covered by the authorisation to prospect.
2. The Exploration Permit (“Permis de Recherches Minières”) allows the holder exclusive prospecting and exploration rights in a defined area to unlimited depth for the mineral substances it is issued for. This is valid for 3 years and can be extended twice for a period of 2 years each time upon application by the holder. The permit can be withdrawn by the Minister in charge of mines if the holder does not start exploration activities for the mineral substance it was issued for within 9 months of the date at which the permit was granted.
3. The Exploitation Permit (“Permis d’ Exploitation”) gives the holder exclusive right to carry out exploitation activities in an area defined by the permit, to an unlimited depth and in respect of those mineral substances for which the exploitation permit is granted. The permit is valid for a maximum of 25 years and can be extended upon request by the permit holder for maximum periods of 15 years per extension. When the permit expires and no request for extension is filed, a mine closure plan must be submitted. In the event that the permit holder has not commenced the exploitation activities within 12 months of the date upon which the permit was granted, the Council of Ministers can decide to withdraw such permit.

3 GEOLOGIC SETTING

3.1 Regional Geology

The oldest rocks of the Congo are Precambrian rocks exposed in the northwestern and southwestern part of the country (Figure 3.1). These are overlain by Cenozoic alluvial sediment cover of the Congo Basin, which is extensively developed over the eastern and western parts of the country.

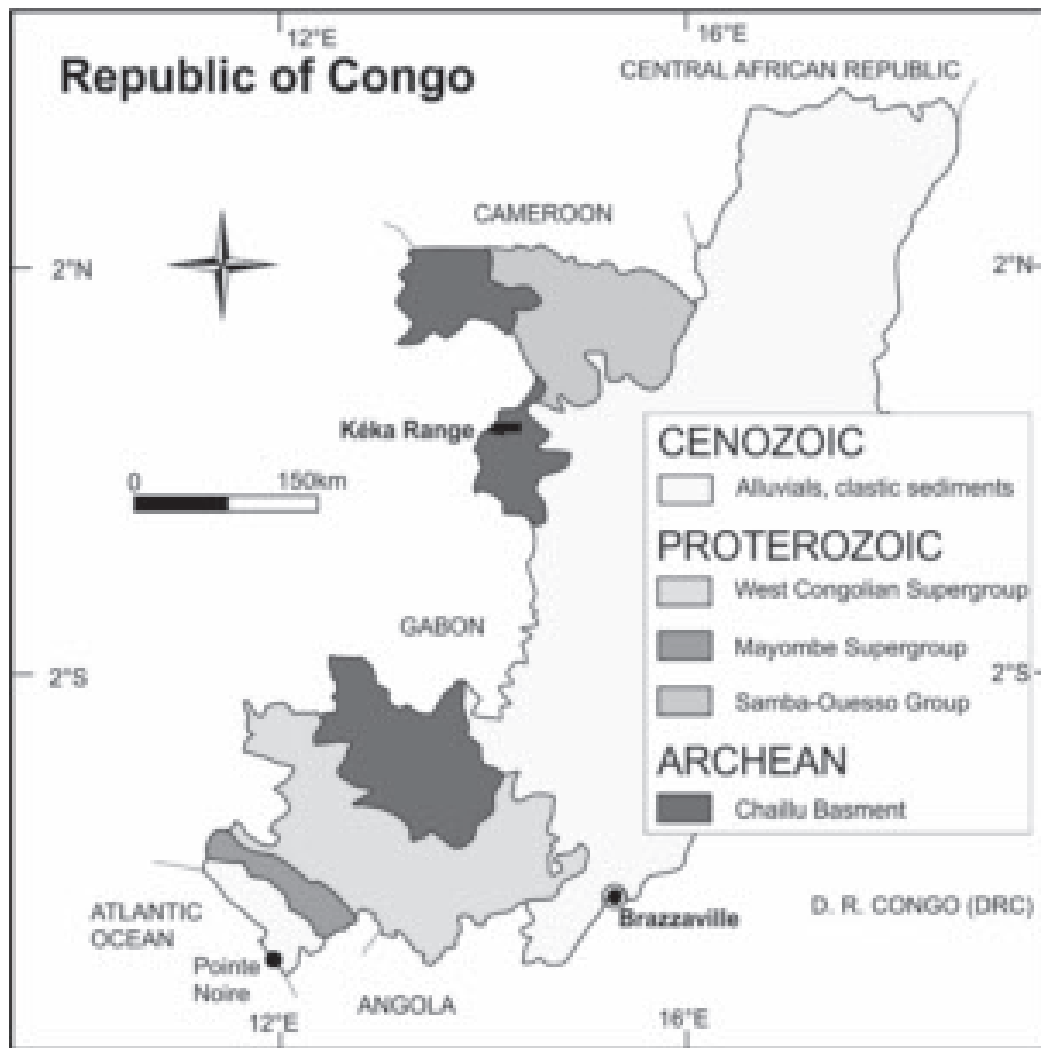


Figure 3.1 Simplified geological map of the Republic of Congo (Congo)
Source: Schlüter (2008)

The oldest rocks belong to the Archean Congo craton, which is represented by the Chaillu Basement metamorphic rocks in the south and its geological time equivalent, the Haut Ivindo Massif, in the northwest. Chaillu Basement rocks are represented by a vast granitoid massif outcropping in the south western and north western parts of the country, extending into neighboring Cameroon where it is concealed by younger rocks. The basement rocks also host numerous greenstone belts composed of amphibolites and ferruginous quartzites. The rocks of the Samba-Ouessou Group are closely related but are younger than the Chaillu massif, comprising quartzites, shales, conglomerates and dolomites. The West Congolian and Mayombe Supergroups constitute a mobile belt that extends from Gabon into Congo

through to northern Angola. The West Congolian Supergroup contains volcano-sedimentary rocks whereas metamorphic and sedimentary rocks comprise the Mayombe Supergroup (Figure 3.1).

In the south west, Cenozoic marine sediments of the coastal basin include phosphatic sequences and evaporates. This Cretaceous to Quaternary coastal basin borders the rocks of the Mayombe Supergroup to the east.

3.2 Local Geology

Literature on the local geology of the project area is scarce, with the only reference a 1965 appraisal of the Kelle-Ngoyeboma region by the French Geological Survey (Bureau de Recherches Géologiques et Minières or “BRGM”). Understanding of the geology is based on that report as well as the interpretation of the principal author of this report, following a recent site visit to the property area.

The geology of the Kéka Range is similar to the regional geological characteristics of the Chaillu-Ivindo massif basement. This massif is described as a granite-gneissic Archean basement complex which contains layers of metamorphosed volcano-sedimentary rocks as well as acid and basic intrusions. The oldest rocks in the area are undifferentiated granites as which are overlain by weakly to moderately metamorphosed volcano-sedimentary rocks or “greenstones” (Figure 3.2).

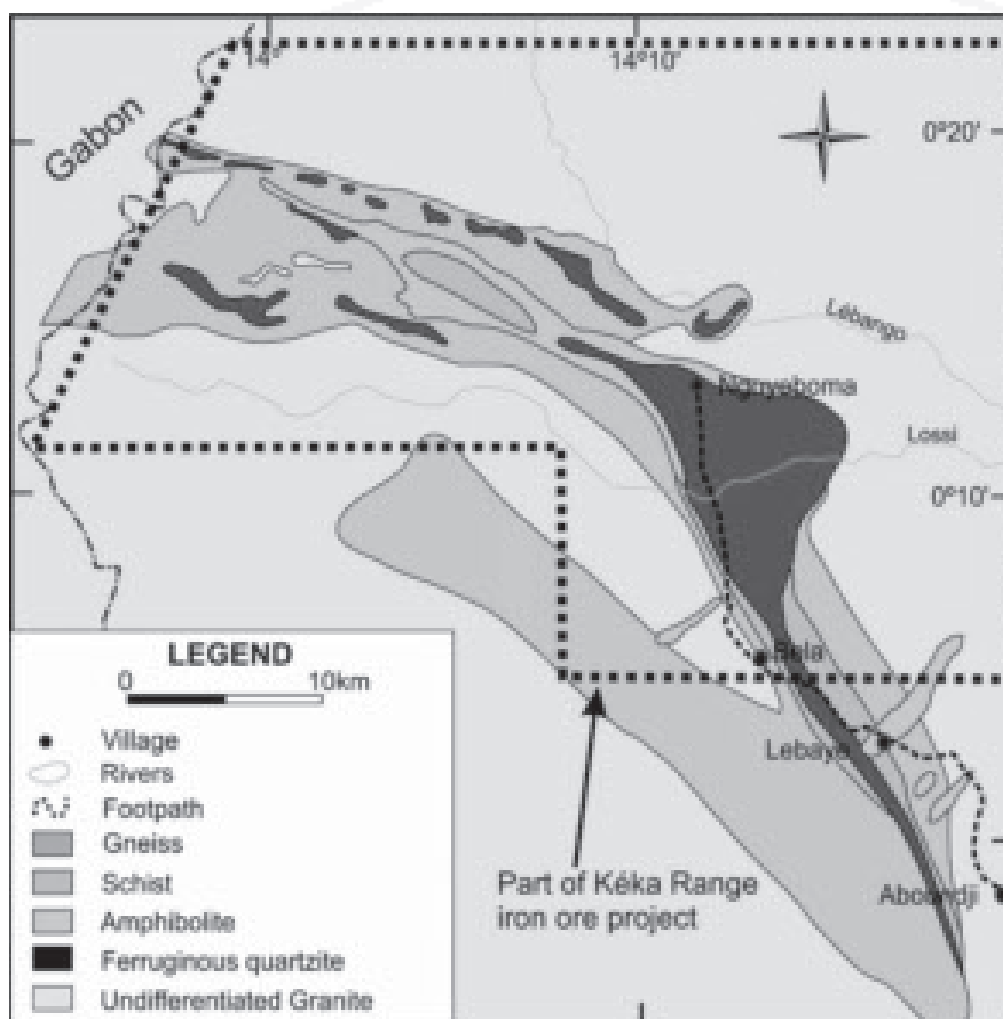


Figure 3.2 Simplified Geology of the area around the Kelle – Ngoyeboma area, showing part of the Kéka Range (BRGM, 1965)

The granites have been metamorphosed with the result that gneisses and schists are present in the area, although they are usually masked by thick vegetation and exposures are, as a result, rare. The metamorphic equivalents of the greenstones are amphibolites and metamorphosed banded iron formations (ferruginous quartzites).

Early workers of the BRGM mapped these metasedimentary rocks in this and other areas of Central and West Africa as ferruginous quartzite. To the south of the project, the ferruginous quartzite is thick and continuous culminating into a series of ridges known as the Mt. Kéka. The ridge trends northwest to south-east and is comprised of quartzites and micaceous-quartz schists. The Kéka Range is characterized by three distinct series of ferruginous quartzite ranges that are exposed intermittently, northwest of the Ngoyeboma village (Figure 3.2). They all trend northwest and are extensive for up to 20 km in length. Elsewhere, amphibolites and schists are present together with granitic rocks of the basement. In the Kéka Range, where the ferruginous quartzites occur as ridges, younger amphibolites occur on either side of the ridge.

Locally, ferruginous quartzite is brecciated indicating the possibility of faulting. Where fresh exposures are present, the rock is distinctly banded with iron oxides (magnetite and hematite) and quartz interlayered.

In Congo, as well as other areas in the sub-region where iron mineralization is found, the ferruginous quartzites usually give way to metamorphosed banded iron formations referred to as itabirites. In general, these iron-bearing rocks (itabirites) in Central Africa have typical thicknesses of up to 200 m.

Throughout the world, itabirite ores and their supergene cap rocks appear to be a feature of iron ore deposits located in the equatorial regions. This is because due to lateritic weathering, a feature typical of climatic regions characterized by high temperatures and intense rainfall.

4 EXPLORATION

4.1 Mineral Resource

Drilling and detailed geologic mapping have not been undertaken on the Kéka Range. Consequently, **no Mineral Resource** exists as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition).

4.2 Previous Exploration

There is no previous record of mining in the Kéka Range area. Iron ore mineralization in ferruginous quartzites was discovered in the early 1950 and 1960s. The earliest report by the Bureau de Recherches Géologiques et Minières (BRGM) although focused on gold reported the occurrence of several iron bearing ridges in the area as well as in the Mt Kéka region to the south east. Since then the Congolese Geological Survey has undertaken reconnaissance visits to the area and proved the occurrence of iron-bearing rocks.

4.3 Recent exploration

In April 2011, Galina geologists collected a number of samples from ferruginous quartzites from the Kéka Range area. Details on the sample method, sample security, quality control and assurance, and the laboratory itself **have not been** made available to the authors of this report (Galina Limited, 2011). However, Galina personnel have reported that representatives of an international consulting company (Snowden Mining Industry Consultants (Pty) Ltd.) reviewed this matter and considered the results to be representative and reliable.

The reported average chemical content for the Kéka Range samples taken by Galina geologists was 34 percent iron. Based on these geochemical results, Snowden concluded that the iron-rich samples are quartz itabirites. The geochemical character of the analysed samples is consistent with those exploited for iron ore in South America.

The term itabirite is commonly used in South America for metamorphosed banded iron formations ("BIF"). Itabirites are Precambrian metamorphosed iron ores deposited as alternating quartz, magnetite and hematite layers. In South America, where itabirites are exploited for iron ore, they have an average chemical content of 35–40 percent iron but can yield 60–68 percent upon beneficiation (Rosiere et al., 2008). The average chemical composition of an itabirite is shown in Table 4.1 and compared with the Kéka Range samples.

Snowden recommended that further work should focus on delineating the geographical and geological extent of the itabirites in the area. Any future samples collected would need to be analysed at an accredited laboratory, if the results are to be used for public and investment-related reporting (Galina Limited, 2011).

4.4 Current work

In July/August 2011, Waratah and Galina requested CAE to independently confirm the existence of ferruginous quartzites in the Kéka Range and assess their economic potential. CAE accompanied Waratah personnel to the Kéka Range area to spend a few days mapping rock exposures and collecting relevant samples for analyses. Representative rock samples of ferruginous quartzites were collected during the visit and submitted to the laboratory for chemical analyses. Preliminary chemical results from only the average of four iron-rich samples are included in Table 4.1. Details of sample collection, packaging, security and

shipment are covered in greater detail, below. The analyses were undertaken by ALS Chemex South Africa, a laboratory accredited for such analyses by the South African National Accreditation System (SANAS) and which is compliant with the general requirements of ISO 17025:2005.

Table 4.1 Comparison of major element geochemistry of quartz itabirite from South America (Spier et al., 2007) with Kéka Range samples

Major element	Quartz itabirite	Kéka Range samples (n=10; April 2011)	Kéka Range samples (n=4; August 2011)
SiO ₂	41.7	44.9	43.0
TiO ₂	<0.01	0.01	0.28
Al ₂ O ₃	0.18	0.1	4.26
Fe ₂ O ₃	55.7	49.2	44.7
MnO	<0.01	<0.01	0.03
MgO	0.14	<0.01	0.04
CaO	0.46	<0.01	<0.01
Na ₂ O	<0.01	0.3	<0.01
K ₂ O	<0.01	0.01	0.24
P ₂ O ₅	0.13	0.2	0.15
SO ₃	<0.01	0.01	<0.01
L.O.I.	0.59	4.9	3.8

Total iron oxide = Fe₂O₃: All elements in wt. %; Detection limit = 0.01

These results, though presently considered insufficient, indicate that the iron content of the itabirite samples are consistent with those obtained in the aforementioned, limited and undocumented sampling undertaken by Galina geologists. The program was achieved by means of reconnaissance traverses across the prospects; some areas accessible by dirt tracks due to the dense vegetation and streams (Figure 4.1).



Figure 4.1 Traversing the Kéka Range by motorbike (note the thick vegetation on either side of the track)

4.5 Sample collection and chain of support

The main rock types observed during the reconnaissance visit were ferruginous quartzites, quartzites, schists, amphibolites and basement granites. In particular the ferruginous rocks were clearly visible identified by the presence of iron oxide-rich layers alternating with quartz bands and forming a well defined banding (Figure 4.2).



Figure 4.2: Stream bed sample of ferruginous quartzite featuring visible sedimentary banding

CAE participated in and oversaw the collection process of samples of ferruginous quartzites from the Kéka Range area. Sample locations were recorded using a Global Positioning System ("GPS") instrument. Care was taken to make sure that representative samples of sufficient sample weight were collected. The samples were then sealed and prepared for export from Congo and submission to the laboratory. The principal writer of this report took custody of the samples and supervised the sample submission process. The entire collection, custody and submission process was instituted to ensure reliability and independence. Accordingly, CAE is of the view that this procedure was adequate and independent from a sample security and quality control perspective.

4.6 Description of hand samples

The sample collected all came from the main ferruginous quartzite ridge that trends directly northwest of the Ngoyeboma village. The sample localities are shown in Figure 4.3.

In general the samples were very hard with discrete banding in evidence, although magnetite/martite mineralisation was disseminated throughout the exposure (Figure 4.4). Some weak bedding had an orientation of $75^{\circ}/015^{\circ}\text{N}$ (dip/dip direction). In the weathered samples, goethite was observed as secondary infilling of remnant pyrite crystals. Other samples were softer and slightly schistose in places, with some iron-rich units appearing reddish. Orientation of the banding was similar to that of other exposures. Goethite was present as discontinuous bands, forming blebs and boudinage-type structures within the quartzite (Figure 4.4). The exposure was slightly magnetic, although there was very little visible magnetite.

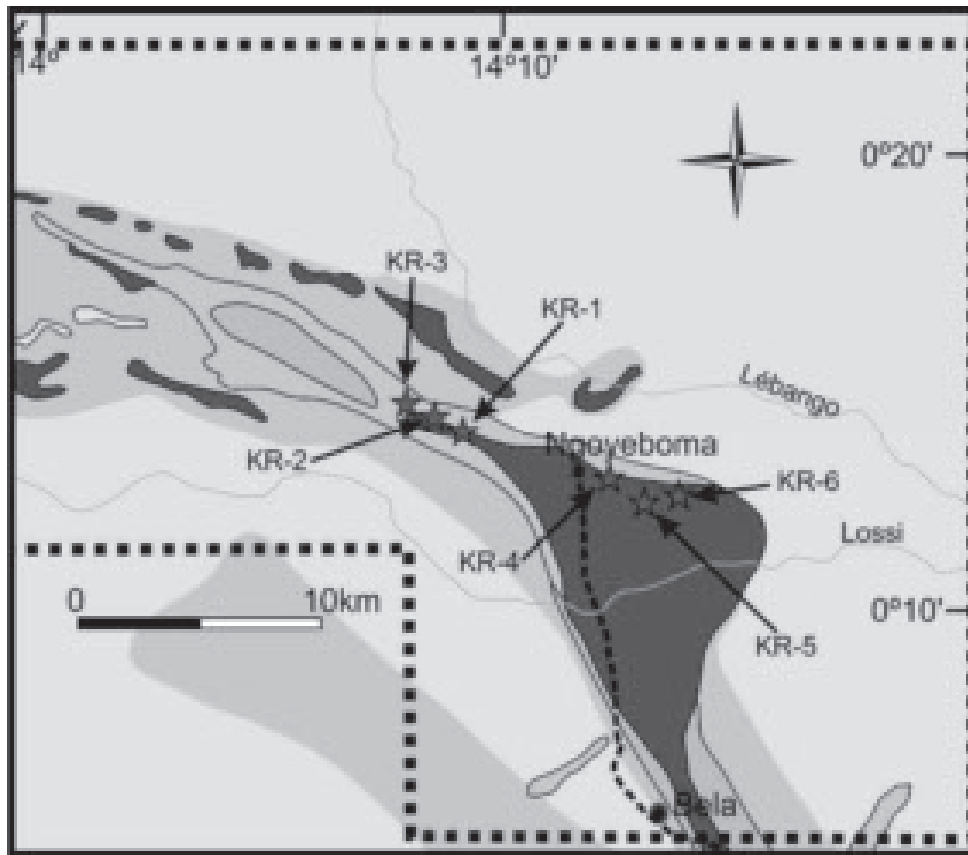


Figure 4.3 Sample location within the Kéka Range property; see Figure 4.2 for legend.

Other samples were characterized by quartz veining, which were associated with vitreous goethite. Based on hand specimen observation, it is clear that these are generally iron-poor. The only visible iron-oxide minerals were blebs of minor goethite that formed rather weak and discontinuous banding. Associated with these are some lateritic boulders.

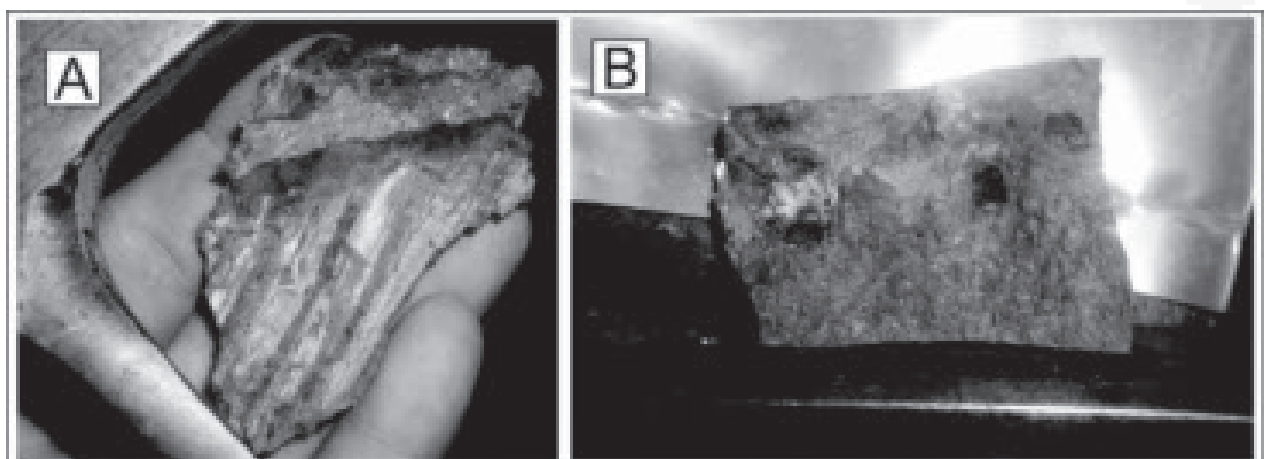


Figure 4.4 Hand samples from the Keka Range area

5 IRON ORE PROJECTS IN CONGO, CAMEROON AND GABON

The Chaillu-Ivindo Massif is host to a number of iron ore deposits in Congo, Gabon and Cameroon (Figure 5.1). In Congo this massif hosts deposits in the northwest and southwest while in Gabon and Cameroon the iron ore deposits are located on extensions of the massif and have a similar mineralization style. In general, the major similarity of all these iron ore projects is that the primary iron bearing units occur as prominent ridges in areas with intense rainfall and dense vegetation, and are typically itabirite-rich with supergene hematite ores.

None of these projects are in production yet but they are at various stages of the mine cycle, from exploration to resource definition and feasibility studies.

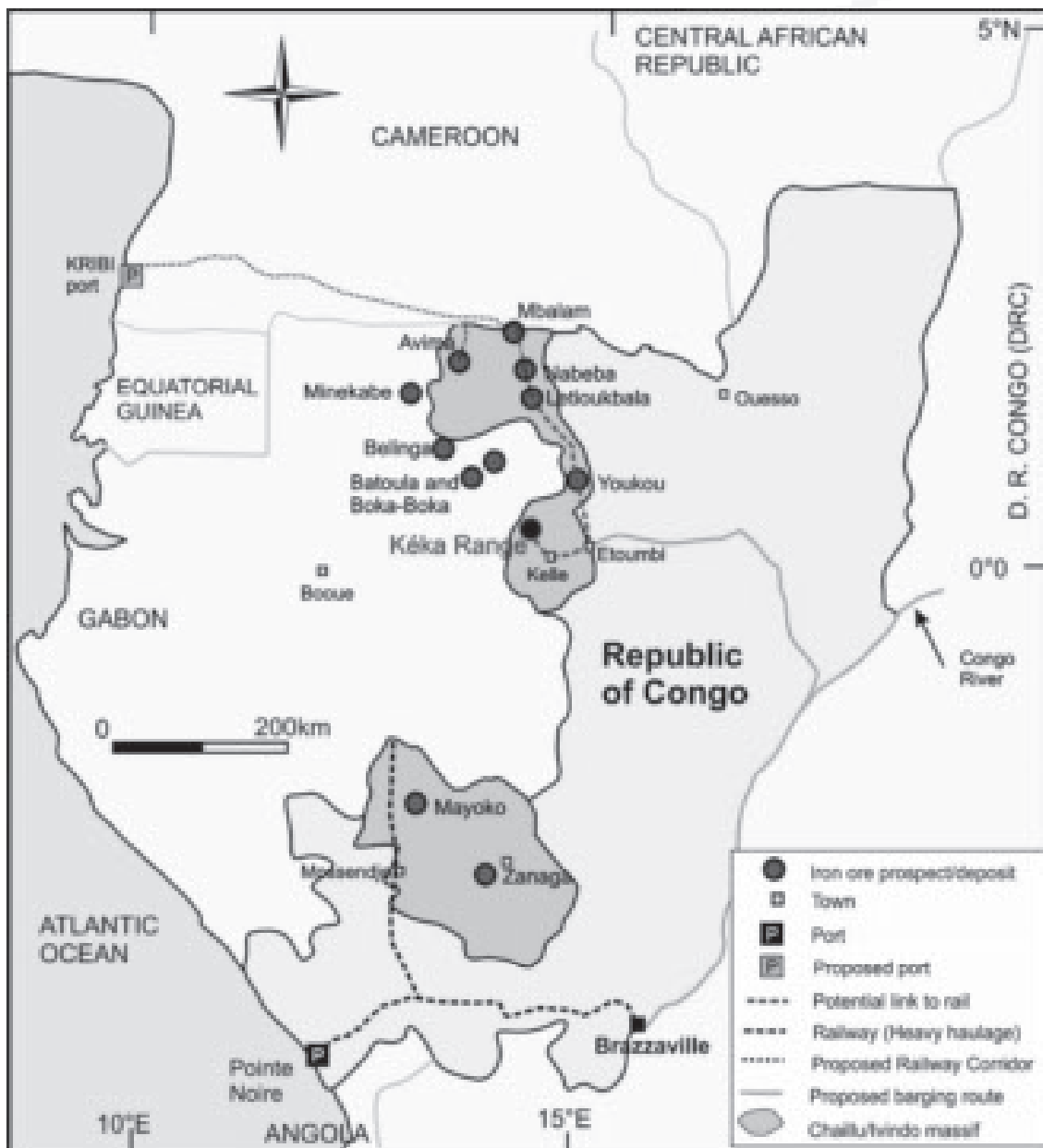


Figure 5.1 Iron ore projects in Congo, Cameroon and Gabon

5.1 Iron ore projects in Congo

The Avima project is situated in the northwest part of Congo, in the Sangha region. The major, known deposit in this area is Mount Avima, a mineralized ridge rising 200 to 900 m above sea level that is approximately 40 km in strike length. The Badondo project, also located in this northwest region of Gabon, features a ridge of outcropping iron mineralization more than 7 km long.

The Waratah-owned Youkou iron ore project is situated in the northwest Mbombo district and is located 15 km north-east of the village Edjiandja in Kelle district (Figure 5.1). The Oyabi iron ore project lies south of the Youkou project located on the southern portion of the Ivindo Massif, near Okoyo; it covers all of the southern part of the massif. The Mayoko iron ore project is located in the southwest region of Congo. The project lies on basement rocks of the Chaillu Massif and covers an area of 1,000 km². The bulk of the mineralization is hosted within highly weathered supergene enriched iron ore cap rocks. The Zanaga project, also located in the Chaillu Massif is an advanced stage exploration project with the bulk of the mineralization hosted in the Zanaga Greenstone belt of the Chaillu massif. The iron bearing units comprise surface enriched BIF (itabirite) lying above a hematite-magnetite banded iron formation with around 43% Fe and 20% SiO₂ (Arab Steel, 2006). The Mayoko-Moussondji project, also located in the southwest part of the Congo, hosts a reputed exploration target of between 2.3 and 3.9 billion tonnes of hematite and itabirite mineralisation at a grade of 30% to 65% Fe (Waratah Internal report).

5.2 Iron ore projects in Gabon

In Gabon, Belinga is the major deposit, situated in the Makokou district. It crops out as a series of north-south iron formation-rich ridges over an area of 35 km by 10 km. The ridges rise to heights of about 500 m above the surrounding countryside and have steep slopes, except where relict canga (ferruginous laterite developed from iron-bearing rock) deposits are preserved. The principal iron mineral is hematite with accessory goethite and magnetite. Other iron ore prospects with similar style of mineralization and geologic setting include the Minekabe, Batoula and Boka Boka deposits.

5.3 Iron ore projects in Cameroon

In Cameroon, the Mbalam iron ore project is located near the southern border with Congo and about 150 km north-northwest of the iron deposits at Belinga (Figure 5.1). This project targets iron ore deposits straddling the Cameroon and Congo border and like the other closely related deposits in the region, the Mbalam deposit is also located on the Chaillu massif. The Nabeba deposit is nearest to the Kéka range project being located 42 km south of the Mbarga Deposit at close to the Congo and Cameroon border (Figure 5.1). The host rocks are similar to those of the two Mbalam deposits.

5.4 Relationship to the Kéka Range Project

A number of advanced exploration and resource definition projects occur within a radius of 150 – 650 km relative to the Kéka Range (Table 5.1). The nearest deposit to the Kéka Range project is the Waratah-owned Youkou deposit, currently the subject of resource definition studies. The Kéka Range Project is about 50 km southeast of the Youkou project.

Table 5.1 Comparison of iron ore projects in Congo, Cameroon and Gabon

Company	Market Cap. (A\$ M)	Asset (s)	Country	Resource Tonnes	Resource Grade (Fe %)	Forecast Capex (A\$)	Target Production (Mtpa)	Distance from Kéka Range
Sundance Resources Ltd (ASX:SDL)	\$1,100	Mbalam Project	Cameroon & Republic of Congo	484 Mt DSO 2.3Bt itabirite	61.1% DSO 38.0% itabirite	US\$4.69 billion	35 Mtpa from 2014	~150 km
Zanaga Iron Ore Company Ltd (AIM: ZIOC)	\$760	Zanaga	Republic of Congo	4 Bt hematite	33.9% average	Not known - PFS complete in Q3 2011	45 Mtpa from 2014 (incl. 15 Mtpa sinter)	~550 km
Equatorial Resources Ltd (ASX:EQX)	\$218	Badondo & Mayoko-Moussondji	Republic of Congo	Targets of 0.7-1.2 Bt hematite, 2.9-4.9 Bt itabirite	40-65% hematite, 30-45% itabirite	Not known	Not known	~200 km and 600 km
African Iron Ltd (ASX:AKI)	\$72	Mayoko	Republic of Congo	33 Mt DSO 900-1,300 Mt itabirite	56.0%	A\$250 million	5 Mtpa from 2013	~650 km
Waratah Resources Ltd (ASX:WGO)	\$45	Youkou	Republic of Congo	1,000-1,500 Mt of DSO	~ 68.0%	Not known	Not known	50 km
Core Mining (unlisted)	N/A	Avima, Kango	Republic of Congo, Gabon	1.0 Bt DSO (Avima)	~ 69.5%	Not known	5 Mtpa by 2015	~230 km
CMEC	N/A	Belinga	Gabon	500 Mt	~64%	Not known	Not known	~150 km

6 VALUATION

In the absence of even any detailed exploration work on the property, drilling and an Independent Resource Estimate, it is valuation of Mineral Resources is extremely subjective. Valmin Code, however, does provide for the assessment of a property's value through reliance on one or more unspecified valuation methods accepted in accordance with standard industry practice. Given the absence of anything other than the limited, preliminary work carried out by Galina geologists and one of the authors of this report, there are very few factors, variables or other criteria that can be included in an attempt to ascertain a value, or range of values, for this property.

Geological Favorability: Given the numerous iron ore projects and deposits at various stages of development in the region with their known grades compared to the grades obtained in the aforementioned, limited sampling, the exploration potential of the property can reasonably be classified as good.

Commodity Favorability: Notwithstanding the current turmoil in global markets and national currencies, the market for iron is considered favorable, with strong demand in China, India and elsewhere. This demand is forecast to continue through the medium to long term.

Comparables: All the companies with properties in the region that are listed on a stock exchange and have valuations and known market capitalizations, also have projects at a more advanced exploration stage with documented iron resources. If there are other companies with properties at a similar, very early exploration stage that also have valuations or market capitalization figures that can be accessed in the public domain, they remain unknown to the authors of this report.

CAE has made use of the Kilburn Geoscientific method in valuing the potential of the Kéka Range project (Table 6.1). In this method the Base Acquisition Cost (BAC) for the Exploration License similar to the one provided by Galina is US \$400 per 16 ha. At an exchange rate of USD\$1 = A\$1, this is equivalent to A\$400 per 0.16 km². The factors used are based on the Kilburn's modified rating shown in Table 1.1.

As an example for deriving the Lower Range value, the calculation followed the formula:

$$\begin{aligned}\text{Lower Range value} &= \text{BAC} * \text{Off property} * \text{On property} * \text{Anomaly} * \text{Geology} \\ &= \$1,198,250 * 1 * 1 * 2 \\ &= \$1,797,375\end{aligned}$$

Table 6.1: Kéka Range's potential valuation (A\$)

License	Area (km ²)	BAC	Off property		On property		Anomaly		Geology		Lower Range	Upper Range	Preferred
			Low	Upper	Low	Upper	Low	Upper	Low	Upper			
Kéka Range 1	479.3	\$1,198,250	1	2.5	1	1	1	1	1.5	2	\$1,797,375	\$5,991,250	\$3,894,313
Kéka Range 2	458	\$1,145,000	1	2.5	1	1	1	1	1.5	2	\$1,717,500	\$5,725,000	\$3,721,250
TOTAL											\$3,514,875	\$11,716,250	\$7,615,563

By means of the Kilburn Geoscientific method, the potential of the Kéka Range project is valued in the range of AUD \$3.5 Million (M) to AUD \$11.7 M, with a preferred value of AUD \$7.6 M. Based on a total area of 937.3 km² for the Kéka Range Project, this equates to an implied value of AUD\$ 3,750 per km² to AUD\$ 12,500 per km².

In the absence of similar projects in the Congo and the sub-region at a similar stage of exploration, CAE has compared the Kéka Range project with that of projects in Australia. In Australia similar early stage exploration projects are valued in the range of AUD\$ 1,800/km² to AUD\$6,000 per km² with a few excellent projects potentially up to AUD\$ 60,000 per km². Hence the valuation by CAE is consistent with that of similar projects.

It is CAE's opinion that generally, the value of a property lacking an independently verified Mineral Resource is the amount of money that has been spent on exploration minus the dollar value of money spent that generated negative results. Galina has mentioned to CAE that the amount they paid for the property and amount subsequently spent on the property is in the region of AUD \$5.5 M. While CAE has not independently verified this amount, it falls nearly at the median of the range of value determined by the Kilburn Geoscientific method.

The valuation by CAE should be considered in light of potential **RISKS** that may affect the valuation:

- CAE has sighted but has not independently verified the Exploration License which documents the size of the License.
- The Kéka Range Mineral Asset is in early stage exploration property. While CAE has undertaken a site visit to the area and reconnaissance mapping, the samples for geochemical analyses are considered insufficient.
- The method employed by CAE is based on a potential value and does not include discounts to the technical value or market factors.

In light of the information, above, it would seem that the value determined for the Kéka Range Project/Property represents Fair Market Value for projects of this size, location and level of exploration.

7 GLOSSARY OF TECHNICAL TERMS

Term	Description
Amphibolite	Metamorphic rock that forms through recrystallization under conditions of high viscosity and directed pressure. It is composed primarily of amphibole and plagioclase, usually with very little quartz
Archean	A geologic eon before 2.5 Ga (billion years, or 2,500 Ma) ago
Brecciate	To break rock fragments and bind them together
Cenozoic	Geological era that covers the period from 65.5 my to the present
Conglomerate	rock that contains large (greater than two millimeters in diameter) rounded particles
Cretaceous	Geologic period and system from circa 145 to 65 million years ago
Dolomite	Sedimentary carbonate rock composed of calcium magnesium
Fe ₂ O ₃	Formula for the iron oxide, hematite
Ferruginous quartzite	Iron-oxide bearing rocks in which quartz and iron oxide minerals are interbanded
Gneiss	Coarse-grained, metamorphic rock produced in which mineral grains within gneiss are elongated due to pressure and the rock has a compositional banding due to chemical activity
Granites	A coarse-grained, igneous rock composed primarily of light colour minerals such as quartz, orthoclase and mica. Granite is thought to be one of the main components of continental crust
Granitoid	General, descriptive field term for light-colored, coarse-grained igneous rocks
Greenstone belts	Zones of metamorphosed mafic to ultramafic volcanic sequences with associated sedimentary rocks that occur within Archean and Proterozoic cratons between granite and gneiss bodies. The name comes from the green hue imparted by the colour of the metamorphic minerals within the mafic rocks.
Hematite	An iron oxide mineral that is commonly used as an ore of iron
Host rock	A mass of rock which is a host for other rocks or mineral deposits.
Igneous Rock	A rock formed by the crystallization of magma or lava
Itabirites	Precambrian metamorphosed iron ores deposited as alternating quartz, magnetite and hematite layer
JORC code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004).
License	An ownership, lease, concession, or other contractual interest that gives a party the right to explore and extract Mineral Resources on a property
Mafic; ultramafic	An igneous rock or magma that has a large percentage of dark-colored minerals such as amphibole, pyroxene and olivine.
Magnetite	An magnetic iron oxide mineral that is used as an ore of iron
Massif	A section of a planet's crust that is demarcated by faults or flexures. The term is also used to refer to a group of mountains formed by such a structure
Metamorphism	Alteration of the minerals, textures and composition of a rock caused by exposure to heat, pressure and chemical actions
Micaceous	Any of a group of chemically and physically related minerals, common in igneous and metamorphic rocks, characteristically splitting into flexible sheets
Mineral Resource	According to the JORC Code, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's
Mineralisation	A rock of economic interest.
Mobile belt	An elongate, narrow region of crust experiencing tectonic activity (e.g.

	earthquakes, volcanoes, mountain building)
Ore	Naturally occurring rock which can be mined at a profit
Outcrop	Exposed rock; also called exposure
Permit	See License
Precambrian	The name for the span of time from the formation of Earth around 4600 Ma (million years) ago to the beginning of the Cambrian Period, about 542 Ma
Quaternary	The most recent of the three periods of the Cenozoic Era spanning 2.5 million years to the present
Quartzite	A hard metamorphic rock which was originally sandstone but has been converted through heating and pressure usually related to tectonic compression. Pure quartzite is usually white to gray, though quartzites often occur in various shades due to varying amounts of iron oxide (Fe_2O_3).
Schist	A metamorphic rock having a foliated fabric.
Sediment	A naturally occurring material that is broken down by processes of weathering and erosion to form rock
Sedimentary	A rock formed at the earth's surface from transport and compaction of sediments
Shale	Sedimentary rock that is made up of clay-size weathering debris and typically breaks into thin flat pieces
Supergroup	A geologic unit composed of several associated groups and formations with significant properties in common
Tenement	See Licence
Valmin Code	Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Volcanic	Having rock properties related to igneous rocks
Volcano-sedimentary	Having volcanic and sedimentary features

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