

17 JULY 2021

## FINGERBOARD MINERAL SAND PROJECT EXPENDITURE TO DATE CIRCA A\$50 MILLION

### QUERY

In a letter date 16 July 2021 Peter Vaughan from the Environmental Media Foundation Inc. is seeking clarification with regards to information given in a statement made during the early stage of the Fingerboards Mineral Sand Project Inquiry and Advisory Panel hearing.

Mr. Vaughan has reviewed the ASIC annual financial returns lodged by Kalbar Resources Limited (name changed to Kalbar Limited) for period 2012 through to 2020 and concluded that expenditure during that period amount to circa A\$15 million. Mr. Vaughan also raised that in the 2020 Kalbar Limited annual return, there was a contribution by Appian Capital Advisory of A\$10.0 million, which stated that these funds are for repayment to certain shareholders, not for the Fingerboard Project development. Based on Mr. Vaughan's review of the annual financial returns lodged, he believes the expenditure to date is circa A\$15 million to A\$25 million, depending on subtracting the A\$10 million contributed by Appian.

### RESPONSE

The project to date expenditure of circa A\$50 million on the Fingerboards Mineral Sands Project was an estimate given in the early stages of the hearing and was based on the previous audited financial statements of Kalbar as well as the current year to date expenditure at that time.

To assist with how we determined this amount, on the following page table 1.1 is a summary of the cashflow information that was disclosed in the annual financial returns lodged with ASIC.

### Key Points:

- Proceeds from the issue of shares from 2014 – 2020 amount to A\$41 million. A further A\$19 million has been received from shareholders in 2021, bringing the total received from shareholders over this period to A\$60 million.
- Payments for exploration and evaluation for the period 2014 – 2020 A\$31 million. During this period significant work was undertaken on the project:
  - 2014: Commenced exploration program targeting high-grade Zircon areas
  - 2015: LIDAR topographic survey and 3D modelling enabled better drill hole positioning and more refined topography
  - 2017: Bulk sample used for metallurgical test work to feed into the PFS
  - 2018: Bankable Feasibility Study completed
  - 2019: Bankable Feasibility Study Update completed
- Payments for exploration and evaluation for the 2021 circa A\$13 million, these costs related to the Fingerboards Definitive Feasibility Study work and the Environmental Effects Statement and ongoing costs associated with the approval of the Fingerboard Project.
- In addition to the exploration and evaluation costs, there is also overhead costs associated with the Fingerboards project such as salaries and oncosts, rent, IT infrastructure etc. Over the period 2014 to 2020 these costs amounted to circa A\$7m, with an additional circa A\$4m in 2021.

In addressing the query raised around the amount of A\$10 million from Appian that was to be repaid to the Shareholder, not for the Fingerboards Project development, I believe this is referring to the Liquidity Offer, which was part of the Subscription and Shareholders Agreement. Appian committed to fund a capped A\$10m Liquidity Offer whereby Kalbar shareholders may elect to reduce their investment in Kalbar via a selective capital return of 6.35% of their shareholding with subsequent share cancellation at a price per share of A\$1.50 (equivalent to the initial subscription price payable by Appian). The A\$10 million was fully applied for by Kalbar shareholders at the offer closing date of 21 April 2020. Mr. Vaughan comment is correct, this was a payment to shareholder, not for the project development, however this was executed in 2021 financial year.

Appian contributed A\$10 million June 2020, for 6,666,666 Ordinary Shares in Kalbar Operations Pty Ltd.

Table 1.1 – Summary of cash flow information covering the period 2012 to 2020

	KALBAR RESOURCES LIMITED Audited 12 Month Jun-12 A\$	KALBAR RESOURCES LIMITED Audited 12 Month Jun-13 A\$	KALBAR RESOURCES LIMITED Audited 12 Month Jun-14 A\$	KALBAR RESOURCES LIMITED Audited 12 Month Jun-15 A\$	KALBAR RESOURCES LIMITED Audited 12 Month Jun-16 A\$	KALBAR RESOURCES LIMITED Audited 12 Month Jun-17 A\$	KALBAR RESOURCES LIMITED Audited 12 Month Jun-18 A\$	KALBAR RESOURCES LIMITED Audited 12 Month Jun-19 A\$	KALBAR RESOURCES LIMITED Audited 12 Month Jun-20 A\$
<b>Cash flows from operating activities</b>									
Receipts from tax concessions/refunds	-	-	-	-	-	597,443	-	861,733	247,989
Sundry income	170,396	7,384	(3,343)	7,008	6,000	-	-	-	23,155
Payments to suppliers and employees	(5,275,038)	(237,219)	(58,052)	(101,014)	(200,768)	(640,122)	(1,329,631)	(2,360,590)	(2,034,494)
Transaction costs	-	-	-	-	-	-	-	-	(2,857,421)
Interest paid	-	-	-	-	-	-	-	-	(321,554)
Tax refund/(payable)	-	-	-	-	-	-	-	-	-
<b>Net cash (used in)/from operating activities</b>	<b>(5,104,642)</b>	<b>(229,835)</b>	<b>(61,395)</b>	<b>(94,006)</b>	<b>(194,768)</b>	<b>(42,679)</b>	<b>(1,329,631)</b>	<b>(1,498,857)</b>	<b>(4,942,324)</b>
<b>Cash flows from investing activities</b>									
Interest received	397,368	22,202	5,092	8,310	7,585	39,181	26,801	20,525	6,359
Payments for other current assets	-	-	(7,414)	(6,981)	-	-	-	-	-
Payment for Property, plant and equipment	(1,660)	-	-	-	-	(73,211)	(67,893)	(103,537)	(34,363)
Payment for exploration and evaluation	-	-	(509,517)	(820,727)	(1,747,775)	(3,405,595)	(7,491,664)	(8,897,844)	(8,214,369)
Payments/refunds - security deposits and advances	-	-	-	-	-	-	(36,249)	-	(25,000)
Payments for Business Development	-	-	-	-	-	-	-	-	-
<b>Net cash (used in)/from investing activities</b>	<b>395,708</b>	<b>22,202</b>	<b>(511,839)</b>	<b>(819,398)</b>	<b>(1,740,190)</b>	<b>(3,439,625)</b>	<b>(7,569,005)</b>	<b>(8,980,856)</b>	<b>(6,267,373)</b>
<b>Cash flows from financing activities</b>									
Proceeds of issue of shares	-	-	789,514	1,472,288	3,076,968	4,490,113	9,631,954	9,953,823	12,491,683
Share issue transaction costs	-	-	-	-	-	-	(2,500)	(376,477)	(295,970)
Payments for share buyback	(707,873)	(762,853)	-	-	-	-	-	-	-
Dividends paid	(11,396,578)	(166,818)	-	-	-	-	-	-	-
Loan repayment	(181,790)	-	-	-	550,000	-	-	-	4,417,000
Project Financing	-	-	-	-	-	-	-	-	-
<b>Net cash from (used in) financing activities</b>	<b>(12,286,241)</b>	<b>(929,671)</b>	<b>789,514</b>	<b>1,472,288</b>	<b>3,626,968</b>	<b>4,490,113</b>	<b>9,629,454</b>	<b>9,577,346</b>	<b>16,612,713</b>
<b>Net increase in cash and cash equivalents</b>	<b>(16,995,175)</b>	<b>(1,137,304)</b>	<b>216,280</b>	<b>568,884</b>	<b>1,692,010</b>	<b>1,007,809</b>	<b>730,818</b>	<b>(902,367)</b>	<b>3,403,016</b>
Cash and cash equivalents at beginning of the period	18,340,904	1,345,728	208,424	424,704	983,588	2,675,598	3,683,407	4,414,225	3,511,858
Effects of exchange rate changes on cash and cash equivalents	-	-	-	-	-	-	-	-	-
<b>Cash and cash equivalents at end of period</b>	<b>1,345,729</b>	<b>208,424</b>	<b>424,704</b>	<b>983,588</b>	<b>2,675,598</b>	<b>3,683,407</b>	<b>4,414,225</b>	<b>3,511,858</b>	<b>6,914,874</b>