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ASX ANNOUNCEMENT

28 March 2024

Justin Nelson
Principal Adviser
Listings Compliance (Sydney)
ASX

Dear Justin

Re: ASX Query

We refer to the query received from ASX on 26 March 2024 and respond as follows to the specific questions asked, structured in the form of an ASX Announcement.

1. ***ASX understands, that the mine schedule underpinning the production target and forecast financial information includes up to 2 years that are entirely based on Inferred Resources and additional years where Inferred Resources are the majority of the resources underpinning the schedule, is that correct?***

Yes, correct. The basis of the Project is a 12-year mine life extracting 12.2Mt of the 14.7Mt resource. The inferred portion of the resource features principally in Years 7 to 10 of the base case mine plan, viz:

Year 7	90% inferred
8	100% inferred
9	100% inferred
10	50% inferred

Reference is also made to the answer for Question 3.

2. ***Please provide the detailed mining schedule underpinning the scoping study, detailing the proportion of Inferred, Indicated, and Measured mineral resources underpinning each of the 12 years comprising the Life of Mine.***

Scheduling for the scoping study is limited to annual production volumes. Increased schedule granularity and optimization will be developed and adopted in further refined production schedules.

SCOPING STUDY ROM COAL PRODUCTION SCHEDULE					
Year	Mining Location	Total ROM Mined (Mt)	ROM Mined - Measured (Mt)	ROM Mined - Indicated (Mt)	ROM Mined - Inferred (Mt)
1	**A1**	0.83	0.00	0.83	0.00
2	**A-N**	0.5	0.00	0.38	0.13
3	**A-N**	0.81	0.00	0.61	0.20
4	**A-N**	0.98	0.00	0.69	0.29
5	**A-N**	1.36	0.00	0.95	0.41
6	**A-N**	1.27	0.00	0.83	0.44
7	**A-S**	1.26	0.00	0.14	1.12
8	**A-S**	1.26	0.00	0.00	1.26
9	**A-S**	1.16	0.00	0.00	1.16
10	**B**	1.1	0.00	0.55	0.55
11	**B**	1.0	0.00	0.71	0.29
12	**B**	0.7	0.00	0.49	0.21
		12.23	**0.00**	**6.17**	**6.06**

3. ASX understands that C7A considers that the fraction of Inferred Resource, not featured in the schedule until Years 7 to 10, is not a determining factor in the viability of the project. Is this correct?

Yes, correct. The full thickness Ashford seam was mined for more than 30 years in locations immediately adjacent to the proposed future mine plan area including those areas of designated Inferred Resource. This provides confidence the inferred resource fraction presents acceptable risk to the production schedule.

4. Has C7A prepared a production plan excluding the 56% Inferred Resources (or a lesser percentage) in order to be satisfied that the respective proportions of Inferred Resources are not the determining factors in project viability as per section 8.5 of ASX Guidance Note 31 and ASX FAQ 24?

Yes, C7A has prepared an alternative mine plan. Making a minor adjustment to the production sequence results in the majority of the inferred resource component being deferred to the last 3 years of production. This amended schedule requires one (1) additional equipment path change. The revised sequence is:

i. Mining commences in the south (A) pit and continues for 5 years.

ii. Relocate to north (B) pit for 3 years.

iii. Return to south (A) pit for 3 years.

The schedule granularity is again limited to annual locations and volumes/tonnes. The impact on the economic viability of the Project by adopting this amended schedule is not significant.

Disaggregating the alternative ROM mining schedule by resource category, by year, is tabulated. The cumulative fraction of inferred resource mined to year 9 (out of a 12-year mine plan) is 30%.

		ALTERNATIVE ROM COAL SCHEDULE			
Year	**Mining Location**	**Total ROM Mined (Mt)**	**ROM Mined - Indicated (Mt)**	**ROM Mined - Inferred (Mt)**	**% Cumulative Inferred**
1	**A1**	0.83	0.83	0.00	0%
2	**A-N**	0.5	0.38	0.13	9%
3	**A-N**	0.81	0.61	0.20	15%
4	**A-N**	0.98	0.69	0.29	20%
5	**A-N**	1.36	0.95	0.41	23%
6	**A-N**	1.27	0.83	0.44	26%
7	**B**	1.1	0.55	0.55	30%
8	**B**	1.0	0.71	0.29	29%
9	**B**	0.7	0.49	0.21	30%
10	**A-S**	1.25	0.14	1.11	37%
11	**A-S**	1.25	0.00	1.25	44%
12	**A-S**	1.14	0.00	1.14	49%
		12.19	**6.17**	**6.02**	

Section 8.5 of ASX Guidance Note 31 and ASX FAQ 24 refer specifically to matters when a proportion of a Production Target is based partly on an exploration target or solely on Inferred Mineral Resources. This is not the case with the Ashford Coking Coal Project.

Coal resources for the Ashford seam as described in the Scoping Study are shown here:

INDICATED MT	INFERRED MT	EXPLORATION TARGET MT	TOTAL MT
6.4	8.3	-	14.7

An exploration target area is not a feature in the Project production target and schedule.

A derivative of the alternative mine plan is to truncate the mine plan to 9 years, reducing the inferred resource fraction in the total ROM production target to 30%.

		ALTERNATIVE ROM COAL SCHEDULE - 9 YEAR MINE PLAN			
Year	**Mining Location**	**Total ROM Mined (Mt)**	**ROM Mined - Indicated (Mt)**	**ROM Mined - Inferred (Mt)**	**% Cumulative Inferred**
1	**A1**	0.83	0.83	0.00	0%
2	**A-N**	0.5	0.38	0.13	9%
3	**A-N**	0.81	0.61	0.20	15%
4	**A-N**	0.98	0.69	0.29	20%
5	**A-N**	1.36	0.95	0.41	23%
6	**A-N**	1.27	0.83	0.44	26%
7	**B**	1.1	0.55	0.55	30%
8	**B**	1.0	0.71	0.29	29%
9	**B**	0.7	0.49	0.21	30%
		8.55	**6.03**	**2.52**	

5. ***If the answer to question 4 is "no", please advise how C7A has formed the view that the respective proportions of Inferred Resources are not the determining factors in project viability?***

N/A. An alternative plan defers 58% of the Inferred Resource fraction to the end (final 3 years) of the mine plan. A further derivative of this plan shortens the mine life to 9 years, removing 3.5Mt of Inferred Resource from the production target.

6. ***Please provide the details of the forecast financial information, in particular the NPV, IRR and Payback Period calculations excluding the Inferred Resources (or a portion thereof) underpinning the production target and forecast financial information relied upon by C7A in order for C7A to be satisfied that the respective proportions of Inferred Resources are not the determining factors in project viability.***

Financial modelling of the alternative 9-year mine plan, with 3.5Mt of the Inferred Resource fraction removed from the production target, forecasts and compares these financial metrics.

Metric, pre-tax	Scoping Study	Alternative 9-year mine plan
NPV, 10%, $M	210	180
IRR, %	59	58
Payback, years	1.0	1.0

Despite shortening the mine plan by 3 years and removing 58% of the Inferred Resource fraction from the production plan the financial metrics for the project remain strong. For this reason, C7A is satisfied the fraction of Inferred Resources is not a determining factor in project viability. Furthermore, the full thickness Ashford seam was mined for more than 30 years in locations immediately adjacent to mine plan areas containing designated Inferred Resources. This provides confidence the inferred resource fraction presents acceptable risk to the production schedule.

7. ***Given that RG 170.59 provides that Investors should be given enough information to enable them to:***

(a) assess whether the prospective financial information is relevant and reliable (i.e. to form their own view about how reasonable the grounds are for making the statement); and

(b) identify with certainty the facts and circumstances that support prospective financial information, as well as being able to demonstrate that the information is reasonable, <u>please identify the information in the First and Second Scoping Study Announcements investors should assess in order to determine relevance and reliability of including up to 56% of Inferred Resources in the production schedule,</u> noting that:

7.1 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity;

7.2 As a Scoping Study, the intended estimation accuracy of the study is +/-35 to 40%; and

7.3 In the view of the Competent Person, the Indicated to Inferred resource classification reflects the moderate level of confidence within the deposit, highlighting the project requires further exploration to improve the level of geological confidence and resource classification.

First Announcement

Contains this information & these qualifications:

• Page 4, Overview	The study includes a qualified financial analysis and project metrics. **The intended accuracy of financial modelling used in scoping studies is typically +/- 35 to 40%**.
• Page 5, Overview	Project risks includes the potential for variation in pit ROM tonnes, strip ratio, coal quality and plant yields based on limitations of scoping study stage geological model. These risks, and others identified in the scoping study, are typical of early-stage coal development projects. Advancing the project to the pre-feasibility and feasibility phases will progressively mitigate and quantify residual risks.
• Page 14, Resources General	The Ashford regional and local geological setting is well understood and defined by adequate drilling. The deposit has been mined by open cut for over 30 years providing direct evidence of seam continuity and an understanding of the structure.
• Page 15, table 7	**Quantifies fraction of inferred category** in the JORC resource table. Further describes the Ashford Coking Coal Project as a greenfields project in a brownfields location because the Ashford seam was mined for more than 30 years, providing confidence the majority of inferred resource will be converted to measured.
• Page 19, Mine design & setting	The current geological model shows the Ashford seam as a single seam, however in some locations the plies separate and the seam will need to be mined selectively. Further work is planned to improve the alignment of the geological model with actual mining sections.
• Page 54, risks associated with accuracy of geological models	Mitigate geotechnical risks by further drilling program. And increased granularity of scheduling.
• Page 79, Appendix. Mineral Resource	Describes Ashford is an early-stage exploration project at Scoping Study level. The resource base is at Indicated to Inferred classification.

estimate for conversion to Ore Reserves	
• Page 80, Appendix D. Mining Factors	The **production target includes 56% Ashford seam Inferred resources**. The same Ashford seam was mined for more than 30 years, giving confidence the majority of inferred resource will be converted to measured
• Page 84, Appendix D. Discussion of relative accuracy/ confidence	**The production target has been based on geological models and resources that are classified as Indicated and Inferred. In the view of the Competent Person, the Indicated to Inferred resource classification reflects the moderate level of confidence within the deposit, highlighting the project requires further exploration to improve the level of geological confidence and resource classification.** The Ashford mine was previously mined for more than 30 years, giving confidence in converting the inferred and indicated resource to measured resource. Clara plans to conduct further exploration to improve the fulsomeness and accuracy of relevant geological and metallurgical data.

<u>Second Announcement</u>

Noting this announcement refers to and accompanies the First Announcement (Scoping Study) released to the market earlier the same day. It contains this information and these qualifications:

Section 5, Next Steps	Further exploration program to increase resource confidence of Ashford and Bonshaw seams.
Cautionary Statement – low accuracy assessment	The Scoping Study referred to in this ASX release has been undertaken for the purpose of initial evaluation of a potential development of the Ashford coking coal resource. It is a preliminary technical and economic study of the potential viability of the Ashford Project. The Scoping Study outcomes, production target and forecast financial information referred to in this release are based on low accuracy level technical and economic assessments.

Cautionary Statement – uncertainty	Further exploration and evaluation work and appropriate studies are required before Clara can estimate any Ore Reserves to provide any assurance of an economic development case. Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the Scoping Study.
Cautionary Statement - Resources	Of the Mineral Resources scheduled for extraction in the Scoping Study production plan approximately 45% are classified as Indicated and 55% as Inferred. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.
Cautionary Statement – forward looking statement	Statements in this release regarding Clara's business or proposed business, which are not historical facts, are forward-looking statements that involve risks and uncertainties, such as Mineral Resource estimates. Investors are cautioned not to place undue reliance on forward-looking statements.

8. ***Please advise the resource category for the additional 1mt of mineable coal attributable to the Bonshaw seam? Alternatively, if the reference to 1mt of mineable coal is an Exploration Target, why has it not been disclosed as such and in accordance with Clause 17 of the JORC Code?***

The Bonshaw seam is a geological feature of the Ashford project. It is not included in the resource estimate. It has not been designated as an Exploration Target (or anything else) for the purpose of the scoping study mine plan and production target. It has not been included in the production schedule.

An examination of the Bonshaw seam will be included in future drilling programs, to be conducted specifically to increase Ashford seam resource and coal quality confidence. The Bonshaw seam lies above the Ashford seam so any drill program to further examine the Ashford seam needs to pass through the Bonshaw seam. Information will be obtained that way.

9. ***The PLV HCC price forecasts utilised in the scoping study appear to be inconsistent with the PLV HCC price forecasts in the Independent Expert Report dated 4 March 2024, (being the***

same date as the First and Second Scoping Study Announcements) and sent to shareholders as part of the EGM meeting documentation. Please advise which pricing forecasts shareholders should rely on for making an investment decision or voting on the EGM resolution? In answering this question please explain the discrepancy in the price forecasts.

Whilst the IER and First and Second Scoping Study Announcements were made on 4 March 2024, the report commissioned by C7A from ***Commodity Insights*** was undertaken in August 2023 and is dated 30 August 2023. Accordingly, the outlook and forecasts are only appropriate as at that date and may change in time in response to variations in economic, market, legal or political factors. The report from Commodity Insights was undertaken at that time in anticipation of a late 2023 EGM, which has subsequently been delayed until 4 April 2024.

In the 7-month period between the issue of the Commodity Insights report and the completion of the Ashford Scoping Study, the coking coal market observed a continuation of upward trending HCC prices. Notably:

- Between 30 August 2023 and 1 March 2024 the daily HCC price (published by Platts) increased from US$268/t to US$307/t. The average price over this period was US$324/t.
- The 12-month HCC average price is US$296/t.
- The 2-year average price is US$322/t.
- The 3-year average price of US$285/t.
- When the scoping study was released the HCC index price was US$325.

Given the delay between the Commodity Insights report and the completion of the scoping study, C7A developed and adopted the HCC pricing profile utilised in the Scoping Study with reference to these historical pricing indicators and recent trends. Constant assessment of global coking coal markets meant C7A determined the pricing profile in the scoping study a few days before the scoping study was released.

The preparation of the EGM meeting materials, including the IER, and the preparation of the scoping study were undertaken as separate actions and for different purposes and it was not anticipated until lodgement that they would be lodged contemporaneously. In this manner, the assessment contained in the scoping study is more recent than the assessment already adopted for the purposes of the instructions for preparation of the IER.

C7A has conferred with Advisory Partners in relation to the recent trends in the PLV HCC pricing profile as outlined above and Advisory Partners have advised that the coal price does not change the overall fairness and reasonable opinions and has no impact on the outcome of the IER because:

- The coal price does not change any of the prices to be paid to Savannah; and
- The royalties are based on per tonne sold and coal price will not impact this payment.

C7A proposes to inform shareholders of the above information, by way of announcement, prior to the EGM on 4 April 2024 ahead of a vote on the resolution. C7A is of the view that the difference in the PLV HCC information does not materially alter the conclusions of Advisory Partners in the IER and would not adversely affect a vote on the resolution by shareholders. The

Company submits that shareholders can rely upon the pricing forecast in the IER for the purposes of voting at the EGM.

C7A also submits that shareholders should rely on the pricing forecasts and profiles carefully described in the scoping study for all other purposes.

10. ***If C7A was aware of the Commodity Insights price forecasts (commissioned by C7A) on or before 4 March 2024, were those pricing forecasts included in either the First or Second Scoping Study Announcement? If not, please explain why they were not included in the announcements.***

As noted in the answer for Question 9, the report issued by Commodity Insights was issued and dated 30th August 2023. This was in anticipation that the EGM would be conducted and the scoping study completed in late 2023.

For a number of reasons C7A was not in a position to finalise and release the Ashford Project Scoping Study until March 2024. In the 7-month period between the Commodity Insights report issue and the completion of the Ashford Scoping Study, C7A observed a continuation of upward trending HCC prices as described in the answer to Question 9. Noting that there will always be volatility in coal markets, these pricing indicators reinforced the growing market view that HCC prices are trending upward. With reference to these historical pricing indicators and recent trends, C7A developed and adopted the HCC pricing profile utilised in the Scoping Study in place of the use of the Commodity Insights report. A 20% discount to account for the CSR, ash and VM specifications of Ashford coal is applied, as recommended by Commodity Insights. Because C7A had upgraded the HCC pricing profile and was not relying directly upon that report, C7A did not acknowledge the Commodity Insights in the announcements for the scoping study.

11. ***Please confirm that C7A is complying with the Listing Rules and, in particular, Listing Rule 3.1.***

As CEO of C7A, and to the best of my knowledge, C7A complies with LR3.1. Furthermore, apart from the omni-present short-term volatility of coal industry supply and demand dynamics I am presently unaware of any new information which would be considered relevant to the Scoping Study.

12. ***Please confirm that C7A's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of C7A with delegated authority from the board to respond to ASX on disclosure matters.***

As CEO of C7A I am authorised to respond to ASX on disclosure matters. All disclosures to the ASX are approved by the Board of C7A Directors.

This ASX release was authorized by the Board of Clara Resources Australia Ltd.

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Yours sincerely,

Peter Westerhuis
CEO

26 March 2024

Reference: 91525

Mr John Haley
Company Secretary
Clara Resources Australia Ltd
Level 19, 10 Eagle Street
Brisbane QLD 4000

By email: jhaley@clararesources.com.au

Dear Mr Haley

Clara Resources Australia Limited ('C7A' or the 'Company'): General – Query Letter

ASX refers to the following:

A. C7A's announcement titled "Ashford Project Scoping Study" released on 4 March 2024 at 8.17 AM on the ASX Market Announcements Platform ('MAP') (the 'First Scoping Study Announcement'), which included amongst other things the following disclosure:

- *Completion of the acquisition is subject to Clara shareholder approval; an EGM is scheduled to be held for that purpose on 4th April 2024.*
- *Forecast LOM financial metrics for the Ashford Project based on Scoping Study parameters are summarised here:*

KEY FINANCIAL OUTCOMES	Unit	Value
Price inputs		
Au$/US$ (long-term forecast)	X-Rate	0.70
Long-term PLV HCC price	US$/t	265
L/T Ashford SHCC price	US$/t	212
L/T Newc6000 price	US$/t	150
L/T Ashford Thermal price	US$/t	128
NPV, returns and key metrics		
Discount Rate	%	10
NPV - LOM (pre-tax)	Au$M	210.5
IRR (pre-tax)	%	59%
Payback period (pre-tax)	years	1.0
NPV - LOM (post-tax)	Au$M	156.2
IRR (post-tax)	%	53%
Payback period (post-tax)	years	1.0
Capital expenditure		
Pre-production capital expenditure	Au$M	100.3
Additional & sustaining capital expenditure	Au$M	33.3
Capital efficiency (NPV / PP capex)	x	2.1
Operating costs (LOM average)		
Minesite costs	Au$/t, on stockpile	121.82
Truck, rail transport and port	Au$/t sales	62.21
Marketing, demurrage	Au$/t sales	1.25
FOB Costs	Au$/t sales	185.28
Royalties	Au$/t sales	0.02
Corporate Costs	Au$/t sales	3.39
Project cashflow (ungeared)		
Gross revenue	Au$M	2,556
FOB Operating costs	Au$M	1,701
Operating cashflow	Au$M	855
Royalties	Au$M	266
Project net cashflow (pre-tax)	Au$M	455

- *It is unclear if the Bonshaw seam was mined in the past. It is not included in the JORC resource but, based on thickness contours, potentially could provide an additional 1mt of mineable coal. Targeting this seam will be a priority in the planned next stage drilling program. Mining of the Bonshaw seam is not included in the scoping study.*
- *The following PLV HCC price forecasts are utilised in the Scoping Study:*

  1. Year 1 & year 2 price is based on the average historical price over the period 2022-2023 (US$322/t), published by Platts S&P Global, less $20/t.

  2. For year 3 to 12, flatline of the 3-year historical price (US$285/t), published by Platts S&P Global, less $20/t.

A 20% discount is then applied to the PLV HHC price to determine the Ashford price.

$US/T	MINE YEAR		
	1	2	3-12
Scoping Study HCC Price Assumption	302	302	265
Ashford coking coal price, 80%	242	242	212

At the time of writing this report the PLV HCC Index price is US$325, implying an Ashford price of US$260.

- *Page 80 under the heading Mining factors or assumptions, the following reference:*

  The production target includes 56% Ashford seam Inferred resources

B. C7A's announcement titled "Ashford Coking Coal Project Scoping Study" released on 4 March 2024 at 12.35 PM on MAP (the ' Second Scoping Study Announcement'), which included amongst other things the following disclosure:

- *Estimated mine life of 12 years, averaging 1Mtpa ROM*
- *Project NPV of Au$156m (post-tax) and initial payback period < 12 months*
- *The Study has demonstrated that development and open-pit mining of the Ashford resource can deliver a technically robust, economic operation delivering Coking Coal into seaborne markets*

Total ROM coal mined	Mt ROM	11.9
Initial life-of-mine	years	12
Average strip ratio (ROM)	S/R	12.5
Processing yield, LOM average	%	76
Total product coal	Mt saleable	9
Pre-production capital expenditure	Au$M	100.3
Cash operating cost (FOB, LOM average)	Au$/t saleable	185
Ashford Coking coal price (semi-hard, 20% discount)	US$/t saleable	212
NPV, 10%	Au$M	210 pre-tax
		156 post-tax
IRR	%	59 pre-tax
		53 post-tax
Project net cashflow (pre-tax)	Au$M	455

- The Cautionary Statement on page 9 disclosing amongst other things:

  Of the Mineral Resources scheduled for extraction in the Scoping Study production plan approximately 45% are classified as Indicated and 55% as Inferred. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised

C. The Independent Expert Report dated 4 March 2024 and forming part of the EGM materials announced on MAP on 6 March 2024 disclosing amongst other things:

Clara commissioned Commodity Insights to undertake an independent marketability assessment of the coal products from the Ashford Coal Project

…

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

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

Source: Commodity Insights

D. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

E. Clause 18 of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code") that includes the following:

If a company reports Exploration Results in relation to mineralisation not classified as a Mineral Resource or an Ore Reserve, then estimates of tonnages and average grade must not be assigned to the mineralisation unless the situation is covered by Clause 17, and then only in strict accordance with the requirements of that Clause.

F. Clause 21 of the JORC Code that includes the following:

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

G. Section 8 of ASX Guidance Note 31 – Reporting on Mining Activities, that includes the following:

Listing Rules 5.15 and 5.17 set out the requirements for reporting certain types of production targets and forecast financial information which is derived from those production targets, respectively.

At the outset, it should be emphasised that production targets, and forecast financial information derived from production targets, are both forward looking statements. As such, they must be based on reasonable grounds or else they will be deemed to be misleading, with all the significant legal consequences that entails. For this reason, an appropriate level of due diligence needs to be applied to the preparation of a production target. The underlying figures and assumptions should be carefully vetted and signed off at a suitably senior level before the production target is released.

H. Section 8.5 of Guidance Note 31 that includes amongst other things the following:

Listing Rule 5.16.3 requires that the relevant proportions of probable and proved ore reserves, inferred, indicated and measured mineral resources and an exploration target underpinning a production target be disclosed. Where a mining entity is reporting a production target that is based on a portion of inferred mineral resources and/or an exploration target in addition to ore reserves and/or measured and indicated mineral resources, the reporting entity must be satisfied that the respective proportions of inferred mineral resources and the exploration target are not the determining factors in project viability. In addition, the inferred mineral resources and exploration target should not feature as a significant proportion early in the mine plan.

I. ASX Mining Reporting Rules for Mining Entities: Frequently Asked Questions, in particular FAQ 24:

What are reasonable grounds for a Production Target or forecast financial information derived from a Production Target?

It is the responsibility of the entity publishing a Production Target or forecast financial information derived from a Production Target to ensure that it has reasonable grounds for it.

Listing Rules 5.15 to 5.19 address the circumstances and disclosure obligations for reporting Production Targets and forecast financial information, depending on whether they are based on Ore Reserves, Mineral Resources, Exploration Targets and Qualifying Foreign Estimates. These Listing Rules:

- *require, among other things, the disclosure of all material assumptions on which the Production Target is based, and a statement that the estimated Ore Reserves and/or Mineral Resources underpinning the Production Target have been prepared by a Competent Person or Persons in accordance with the requirements the JORC Code 2012;*
- *prohibit the disclosure of a Production Target that is based solely on an Exploration Target or solely or partly on Historical Estimates or Foreign Estimates (other than Qualifying Foreign Estimates) of mineralisation; and*
- *if a proportion of a Production Target is based partly on an exploration target or solely on Inferred Mineral Resources, require that the entity include a statement of the factors that lead it to believe that it has a reasonable basis for reporting a Production Target in that context.*

Even where disclosure of a Production Target or forecast financial information derived from a Production Target is made in accordance with these Listing Rules, for the reasons outlined in the answer to question 2 above, it must still be based on reasonable grounds existing as at the date of the disclosure or else it will be taken to be misleading under the Corporations Act.

Reasonable grounds extend not only to the mineralisation underpinning the Production Target or forecast financial information but also to any assumptions regarding the 'Modifying Factors' in Table 1 of the JORC Code.

What constitutes 'reasonable grounds' for a Production Target or forecast financial information derived from a Production Target must be judged according to the facts and circumstances of each case and the requirements of the Corporations Act. The following general observations may, however, be helpful:

- *Probable or Proved Ore Reserves (properly declared) will generally provide a reasonable basis for a Production Target or forecast financial information derived from a Production Target, given the level of geological knowledge and confidence and the consideration of the Modifying Factors they involve.*
- *Indicated or Measured Mineral Resources (properly declared) may provide a reasonable basis for a Production Target or forecast financial information derived from a Production Target provided the entity has given sufficient consideration to the Modifying Factors in order to have reasonable grounds and it clearly outlines the material assumptions it has made in this regard.*
- *Where an entity has Ore Reserves or Indicated or Measured Mineral Resources, it may have reasonable grounds for including some level of Inferred Mineral Resources or an Exploration Target in a Production Target or forecast financial information derived from a Production Target, subject to the following caveat in section 8.5 of ASX Guidance Note 31:*

  > *"Where a mining entity is reporting a production target that is based on a portion of inferred mineral resources and/or an exploration target in addition to ore reserves and/or measured and indicated mineral resources, the reporting entity must be satisfied that the respective proportions of inferred mineral resources and the exploration target are not the determining factors in project viability. In addition, the inferred mineral resources and exploration target should not feature as a significant proportion early in the mine plan."*

  The proportion of Inferred Mineral Resources and Exploration Targets that may be added to the end of a mine plan depends on the maturity of the project. For example, a greater proportion may be justified for a producing mine with a history of converting Exploration Targets and Mineral Resources into Ore Reserves, than an exploration entity that has Indicated Mineral Resources as the highest confidence Mineral Resource.

- *A Production Target or forecast financial information derived from a Production Target may only be based on an Inferred Mineral Resource alone if the entity complies with Listing Rule 5.16.6 and section 8.7 of ASX Guidance Note 31.*

The general observations above assume, of course, that the relevant Ore Reserve, Mineral Resource or Exploration Target is a genuine one that would withstand scrutiny by a Competent Person's peers (see clause 11 of the JORC Code).

J. ASIC Information Sheet 214

The higher the level of geological knowledge and confidence, and the more that all the JORC Code modifying factors have been progressed, the greater the likelihood that you will have reasonable grounds for a forward-looking statement.

In all cases, having regard to Figure 1 of the JORC Code, there must have been a sufficient level of exploration and evaluation work done on a mining project, and on each of the JORC Code modifying factors, to provide reasonable grounds for publishing any production target for that project, or forecast financial information or income-based valuation based on a production target for that project.

And

What can you disclose about a scoping study without reasonable grounds for forward-looking statements?

ASX FAQ 25 states that 'entities develop or engage others to develop scoping studies (or studies of a more preliminary nature) for internal management purposes and, in particular, to help inform a decision on whether to commit the entity to the next stage of exploration or development'.

These preliminary studies sometimes contain forward-looking statements such as production targets, forecast financial information and income-based valuations. This is common and acceptable practice.

However, unless you can establish reasonable grounds for such forward-looking statements, these statements should not be publicly disclosed.

You can, however, still make aspirational statements, announce exploration targets or disclose parts of the study that do not contain production targets, forecast financial information or income-based valuations.

For example, as set out in ASX FAQ 25, you can 'publish a summary of the preliminary study that does not mention the production target or forecast financial information' or you can say, if this is the case, that 'the results of the preliminary study were positive and that the results justify the entity to commit to the next stage of exploration and development'.

For parts of the study that do not contain production targets, forecast financial information or income-based valuations, you should still disclose reliable, relevant information of a technical nature to ensure that the market is properly informed of your company's prospects. This includes information arising from a preliminary study that addresses the information required to be disclosed on an 'if not, why not' basis under sections 3 and 4 of Table 1 of the JORC Code.

K. ASIC *Regulatory Guide 170: Prospective financial information*, which includes the following guidance on prospective financial information:

  a. RG 170.3 Our regulatory experience has identified inherent dangers in disclosing prospective financial information. Some examples include:

(a) issuers discounting, or not taking into account, the variable nature of matters that may influence, or be influenced by, future events. Our experience suggests that prospective financial information is, at best, only a crude indicator of likely achievable results; and

(b) the inherent potential to mislead by disclosing prospective financial information based on hypothetical circumstances or unrealistic assumptions.

b. *RG 170.4 In addition, research has shown that: (a) the release of prospective financial information by management has a significant effect on share prices (indicating that buy/sell decisions are influenced by prospective financial information); (b) perceptions of the likely long-term rate of return are the dominant criteria for investors in selecting a managed investment scheme. For other investment products, the rate of return is seen as a determining factor in making a purchasing decision; and (c) longer time horizons reduce the accuracy of prospective financial information*

c. *RG 170.11 - We believe the general test of whether prospective financial information must be disclosed is whether it is:*

   (a) relevant to its audience; and

   (b) reliable (i.e. there must be a reasonable basis for it: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd (1998) 29 ACSR 584).

d. *RG 170.17 - The making of a statement that contains prospective financial information (i.e. a forward looking statement) must have reasonable grounds or it will be taken to be misleading under s728(2) or769C of the Corporations Act. What are 'reasonable grounds' should be determined objectively in light of all of the circumstances at the time of the statement, so that a reasonable person would view as reasonable the grounds for the statement.*

e. *RG 170.18 - We consider that prospective financial information based on hypothetical assumptions (rather than reasonable grounds) is likely to be misleading and provide little information value to investors. In our view, prospective financial information without reasonable grounds is not material to investors, nor would an investor reasonably require it or reasonably expect to find it in a disclosure document or PDS.*

f. *RG 170.24 The making of a statement that contains prospective financial information must have reasonable grounds or it will be taken to be misleading: see RG 170.17–RG 170.19. To demonstrate reasonable grounds, an issuer must be able to point to: (a) some facts or circumstances; (b) existing at the time of publication of the information in the disclosure document or PDS; (c) on which the issuer in fact relied; (d) which are objectively reasonable; and (e) which support the information: see Sykes v. Reserve Bank of Australia (1999) ATPR 41–699, Heerey J at 42–902.*

g. *RG 170.28 Forward-sales contracts, leases or other contracts that lock in future expenses and revenue of a product/service and the amount of supply may suggest reasonable grounds for prospective financial information because the future revenue and expenses can be reasonably assured for the period of that contract or lease.*

h. *RG 170.29 However, the mere existence of an option in a contract or lease does not create an assumption that it will be exercised. Some further basis is needed. For sales contracts or leases that have a renewal option at the end of the initial term, prospective financial information should only extend to the end of the initial term unless there are reasonable grounds to believe that the option will be exercised. An example is where there is an option to renew a lease, and the lessor has had a long track record of exercising this option to renew the lease and there is nothing to indicate that this will change in the next period.*

i. *RG 170.30 Reasonable grounds for disclosing prospective financial information may exist when there is reliance upon an independent industry expert's report, which: (a) is included in or incorporated by* *reference into the document containing the prospective financial information; (b) sets out the assumptions underlying that information; and (c) makes a positive statement that both the prospective financial information and its assumptions are reasonable and the expert does not disclaim liability for the statement.*

j. *RG 170.41 - We generally consider that prospective financial information for a period of more than two years may require independent or objectively verifiable sources of information to establish that there are reasonable grounds to provide it. However, for an existing business preparing a statement on estimates for up to two years, we will generally not regard as necessary independent verification if there otherwise appear to be reasonable grounds to make the statement. Directors should state why they believe the information is objectively reasonable. We may still take action on a statement on estimates for up to two years if we believe there are no reasonable grounds to provide it.*

k. *RG 170.42- The reasonable grounds requirement means that there should be a relevant factual foundation for the prospective financial information and that the information is not contrived: see George v. Rockett (1990) 170 CLR 104 and Re Aldred & Dept of the Treasury (1994) 35 ALD 685.*

l. *RG 170.44 Issuers of prospective financial information need to ensure that all material assumptions, including implied assumptions, are reasonable. For example, a disclosure document or PDS might say that 'on the basis of today's price and the yield confirmed by the expert, we expect for every share you hold, you will earn $100 per year by year 14'. Future market conditions have not been disclosed here, so an implied assumption has been made of no change in market conditions over the period of the prospective financial information. This may have an increasingly material impact on the figures the further into the future the prediction extends. If there were no reasonable grounds for that assumption, the statement would be misleading*

m. *RG 170.50 - The general principles in this regulatory guide also apply to advertising because of the interaction of s769C and 1041H.]*

   Section 769C states:

   For the purposes of this Chapter, or of a proceeding under this Chapter, if:

   - *a person makes a representation with respect to any future matter (including the doing of, or refusing to do, any act); and (b) the person does not have reasonable grounds for making the representation; the representation is taken to be misleading.*

   Section 1041H states:

   - *A person must not, in this jurisdiction, engage in conduct, in relation to a financial product or a financial service that is misleading or deceptive or is likely to mislead or deceive.*

n. *RG 170.51 It follows that if there is advertising of prospective financial information without reasonable grounds, the advertisement will be misleading. It should be clear from any advertisement that these forward-looking statements are not guaranteed to occur. For more information on presenting prospective financial information and related assumptions and risks, see Section D.*

o. *RG 170.52 Principles in this guide may assist in other contexts where a person must have reasonable grounds for stating prospective financial information (e.g. takeovers or scheme documents: see s670A(2)). Whether or not there are reasonable grounds for prospective financial information in these contexts will need to be assessed on the particular facts of each case. However, the principles set out in this guide may provide some general guidance.*

p. *RG 170.59 - Investors should be given enough information to enable them to: (a) assess whether the prospective financial information is relevant and reliable (i.e. to form their own view about how reasonable the grounds are for making the statement); and (b) identify with certainty the facts and* *circumstances that support prospective financial information, as well as being able to demonstrate that the information is reasonable.*

q. *RG 170.60 We consider prospective financial information in a disclosure document or PDS should be accompanied by: (a) full details of the assumptions used to prepare the prospective financial information (see RG 170.61–RG 170.70); (b) the time period covered by the prospective financial information (see RG 170.71–RG 170.74); (c) the risks that the predictions in the prospective financial information will not be achieved (see RG 170.75–RG 170.77); and (d) an explanation of how the prospective financial information was calculated and the reasons for any departures from accounting standards or industry standards that investors would reasonably expect to be followed (see RG 170.78–RG 170.83).*

r. *RG 170.61 - A disclosure document or PDS must specifically disclose any assumptions used in compiling prospective financial information that materially affect the forecast outcome. The assumptions should be detailed and specific enough to enable the investor to work through all of the prospective financial information. This may require details about how returns are calculated during each year that the information covers. Among other things, assumptions about expenditures, revenues, inflation rates and other such variables should be clearly disclosed and highlighted if different assumptions have been used for different parts of the term that the prospective financial information covers.*

s. *RG 170.62 Investors must be able to assess: (a) the validity of the assumptions on which the prospective financial information is based; (b) the likelihood of the assumptions actually occurring; and (c) the effect on the prospective financial information if the assumptions vary.*

t. *RG 170.63 - We expect a disclosure document or PDS to disclose material assumptions about: (a) specific future economic conditions; and (b) particular circumstances affecting a company or financial product and the industries relevant to that company or financial product.*

u. *RG 170.64 - Disclosure of the material assumptions allows an investor or adviser to make an informed assessment of an issuer's prospects, or a person as a retail client to make an informed decision whether to acquire the product.*

v. *RG 170.65 - An assessment of the impact of these assumptions on prospective financial information should also be included. However, a disclosure document or PDS does not have to: (a) state general assumptions, such as the absence of war or natural disasters, unless the forecast takes these events into account; or (b) disclose assumptions that would not materially affect the prospective financial information.*

w. *RG 170.66 - It is not sufficient to state the general nature of an assumption. Specific quantities or amounts should be set out. For example, it may not be sufficient to state that prospective financial information is based on an anticipated recovery in equity markets, without setting out the amount of the required recovery: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd(1998) 29 ACSR 584.*

x. *RG 170.67 - We consider that because the presence or absence of reasonable assumptions is a factor in any determination of whether an issuer has satisfied the relevant disclosure obligation, the basis for the assumptions underlying the prospective financial information should be stated in the disclosure document or PDS in order that an investor has some means of assessing that information: see Miba Pty Ltd v. Nescor Industries (1996) 141 ALR 525 and Wesfi Ltd v. Blend Investments Pty Ltd (1999) 31 ACSR69.RG 170.68 - Disclosure of the basis for prospective financial information may reduce the capacity of the information to mislead because such disclosure assists the assessment/decision of an investor or retail client.*

y. *RG 170.75 - Any disclosure document or PDS that contains prospective financial information must indicate what factors may lead to a significant difference between the prospective financial information* *and the actual results. The disclosure of these factors should be in an unambiguous and unequivocal form.*

z. *RG 170.76 The following risks relevant to prospective financial information should be disclosed: (a) risks associated with a particular asset class for the financial product— for example, the volatility of share prices or the fact taxation deductions may be disallowed for scheme interests subject to a product ruling; and (b) risks specific to the proposed investment strategy—for example, the risks associated with particular investment plans or investing in emerging industries.*

aa. *RG 170.77 In the absence of these warnings, prospective financial information may have a greater capacity to be misleading.*

bb. *RG 170.78 - Investors must be able to assess the reliability of prospective financial information. To do this, they should be able to assess whether the key assumptions are likely to occur. Therefore, a disclosure document or PDS must disclose material details about the enquiries and research undertaken and the process followed in preparing the information.*

cc. *RG 170.84 - Section 728(2) is not an exhaustive statement of when prospective financial information is misleading. The presentation, accompanying disclosures and terminology used in prospective financial information should also be considered. A statement that is literally true may at the same time be misleading and deceptive: see Hornsby Building Information Centre Pty Ltd v. Sydney Building Information Centre Ltd (1978) 140 CLR 216 at 228.*

dd. *RG 170.85 - If significant information is presented in a way that investors are likely to overlook, a disclosure document or PDS may be misleading: see Fraser v. NRMA Holdings Ltd (1995) 13 ACLC 132 and Pancontinental Mining Ltd v. Goldfields Ltd (1995) 16 ACSR 463. Therefore, a disclosure document or PDS must present the information needed to assess the reliability of prospective financial information in a way that clearly connects both types of information. This usually means that the information about assumptions, and other matters underlying prospective financial information, should be in the same part of the disclosure document or PDS as the prospective financial information itself.*

ee. *RG 170.86 We consider that prospective financial information and associated material should be disclosed: (a) with its assumptions and limits prominently displayed immediately after the information, or in a way that ensures that an investor is made aware of the existence, nature and quantity or amount of the assumptions and limits at the time they read it; (b) with the assumptions and limits displayed in a way which is not less prominent than the prospective financial information (i.e. when compared to the 'key' statement); and (c) so that prominence is not given to a more favourable figure or fact in the forecast range if a range is cited.*

A complete copy of the Regulatory Guide is available at:

https://asic.gov.au/media/1240943/rg170-010411.pdf

Request for information

Having regard to the above, ASX asks C7A to respond separately to each of the following questions and requests for information:

1. ASX understands, that the mine schedule underpinning the production target and forecast financial information includes up to 2 years that are entirely based on Inferred Resources and additional years where Inferred Resources are the majority of the resources underpinning the schedule, is that correct?
2. Please provide the detailed mining schedule underpinning the scoping study, detailing the proportion of Inferred, Indicated, and Measured mineral resources underpinning each of the 12 years comprising the Life of Mine.

3. ASX understands that C7A considers that the fraction of Inferred Resource, not featured in the schedule until Years 7 to 10, is not a determining factor in the viability of the project. Is this correct?
4. Has C7A prepared a production plan excluding the 56% Inferred Resources (or a lesser percentage) in order to be satisfied that the respective proportions of Inferred Resources are not the determining factors in project viability as per section 8.5 of ASX Guidance Note 31 and ASX FAQ 24?
5. If the answer to question 4 is "no", please advise how C7A has formed the view that the respective proportions of Inferred Resources are not the determining factors in project viability?
6. Please provide the details of the forecast financial information, in particular the NPV, IRR and Payback Period calculations excluding the Inferred Resources (or a portion thereof) underpinning the production target and forecast financial information relied upon by C7A in order for C7A to be satisfied that the respective proportions of Inferred Resources are not the determining factors in project viability.
7. Given that RG 170.59 provides that Investors should be given enough information to enable them to:

   (a) assess whether the prospective financial information is relevant and reliable (i.e. to form their own view about how reasonable the grounds are for making the statement); and

   (b) identify with certainty the facts and circumstances that support prospective financial information, as well as being able to demonstrate that the information is reasonable,

   please identify the information in the First and Second Scoping Study Announcements investors should assess in order to determine relevance and reliability of including up to 56% of Inferred Resources in the production schedule, noting that:

   7.1 *'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity;*

   7.2 As a Scoping Study, the intended estimation accuracy of the study is +/-35 to 40%; and

   7.3 In the view of the Competent Person, the Indicated to Inferred resource classification reflects the moderate level of confidence within the deposit, highlighting the project requires further exploration to improve the level of geological confidence and resource classification.
8. Please advise the resource category for the additional 1mt of mineable coal attributable to the Bonshaw seam? Alternatively, if the reference to 1mt of mineable coal is an Exploration Target, why has it not been disclosed as such and in accordance with Clause 17 of the JORC Code?
9. The PLV HCC price forecasts utilised in the scoping study appear to be inconsistent with the PLV HCC price forecasts in the Independent Expert Report dated 4 March 2024, (being the same date as the First and Second Scoping Study Announcements) and sent to shareholders as part of the EGM meeting documentation. Please advise which pricing forecasts shareholders should rely on for making an investment decision or voting on the EGM resolution? In answering this question please explain the discrepancy in the price forecasts.
10. If C7A was aware of the Commodity Insights price forecasts (commissioned by C7A) on or before 4 March 2024, were those pricing forecasts included in either the First or Second Scoping Study Announcement? If not, please explain why they were not included in the announcements.
11. Please confirm that C7A is complying with the Listing Rules and, in particular, Listing Rule 3.1.
12. Please confirm that C7A's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of C7A with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **10:00 AM AEST Tuesday, 2 April 2024**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, C7A's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in this paragraph and may require C7A to request a trading halt immediately.

Your response should be sent to ASX by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to C7A's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. It should be noted that C7A's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in C7A's securities under Listing Rule 17.3.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A. The usual course is for the correspondence to be released to the market so that the market is aware that ASX has made enquiries of C7A about its disclosures and of the Company's response to those enquiries.

Yours sincerely

ASX Compliance