

Notice of General Meeting and Explanatory Statement

Date: Thursday, 10 July 2014

Time: 2pm WST

Location: City West Receptions, 45 Plaistowe Mews, West Perth,

Western Australia, 6005

THIS IS AN IMPORTANT DOCUMENT WHICH REQUIRES YOUR ATTENTION.

IN IT YOU WILL FIND:

- 1. Notice of General Meeting;
- 2. An Explanatory Statement containing information about the resolutions to be considered at the General Meeting; and
- 3. A Proxy Form (loose leaf). If you are unable to attend the General Meeting, please consider completing the Proxy Form enclosed and returning it in accordance with the instructions set out on that form.



Notice of General Meeting

Notice is given that the General Meeting of the Company will be held at City West Receptions, 45 Plaistowe Mews, West Perth, Western Australia, 6005 on Thursday, 10 July 2014 at 2pm WST.

Business of the Meeting

RESOLUTION 1: ISSUE OF PLACEMENT SHARES AND PLACEMENT OPTIONS

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"Subject to Resolutions 2, 3 and 4 being passed, that for the purposes of ASX Listing Rule 7.1, item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve:

- a) the issue of 400,000,000 Shares (Placement Shares); and
- b) the issue of 400,000,000 Options with an exercise price of \$0.05 and an expiry date of 30 June 2016 (**Placement Options**),

to Forrest Family Investments Pty Ltd as trustee for The Peepingee Trust or its nominee (FFI); and

c) the acquisition by FFI of Relevant Interests in the Placement Shares and 400,000,000 Shares issued upon the exercise of the Placement Options (**Placement Option Shares**)."

Voting exclusion:

The Company will disregard any vote cast on Resolution 1 by FFI and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any of their associates, unless it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

RESOLUTION 2: ISSUE OF CONVERSION SHARES AND PROMISSORY NOTE SHARES

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"Subject to Resolutions 1, 3 and 4 being passed, that for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve:

- a) the issue of 514,076,978 Shares on conversion of the 15,021,053 convertible notes issued on 14 October 2011 and 23 November 2012, being Conversion Shares; and,
- b) the issue of 99,664,231 Shares in payment and satisfaction of the promissory notes issued in September, November and December 2013 and on 24 January 2014 (together the **Promissory Notes**), being Promissory Note Shares,

as further detailed in the Explanatory Statement."



Voting exclusion:

The Company will disregard any vote cast on Resolution 2 by a Convertible Noteholder, a Promissory Noteholder and a person who might obtain a benefit except a benefit solely in the capacity of a securityholder if the resolution is passed, and any of their associates, unless it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

RESOLUTION 3: ACQUISITION OF RELEVANT INTERESTS BY MACQUARIE

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"Subject to Resolutions 1, 2 and 4 being passed, that for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve:

- a) the issue of 252,255,306 Conversion Shares and 49,836,878 Promissory Note Shares (**Macquarie Shares**) to Macquarie Bank Limited (**Macquarie**); and
- b) the acquisition by Macquarie of Relevant Interests in the Macquarie Shares and the Shares issued upon the exercise of the options held by Macquarie (**Macquarie Option Shares**)."

Voting exclusion:

The Company will disregard any vote cast on Resolution 3 by Macquarie and its associates unless it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

RESOLUTION 4: ACQUISITION OF RELEVANT INTEREST BY ACORN AND ACORN CLIENTS

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"Subject to Resolutions 1, 2 and 3 being passed, that for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve:

- a) the issue of 252,255,306 Conversion Shares and 49,827,353 Promissory Note Shares (**Acorn Shares**) to Acorn Clients; and
- b) the acquisition by Acorn Capital Ltd (Acorn), its associates and Acorn Clients and their associates of Relevant Interests in the Acorn Shares and the Shares issued upon the exercise of the options held by Acorn Clients (Acorn Option Shares)."

Voting exclusion:

The Company will disregard any vote cast on Resolution 4 by Acorn and its associates unless it is cast by:

- (a) a person as a proxy for a person entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the person chairing the Meeting as a proxy for a person entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.



BY ORDER OF THE BOARD

Shane McBride

Chief Financial Officer and Company Secretary

9 June 2014



Important notes for Shareholders

These notes and Explanatory Statement form part of the Notice.

Shareholders should read this Notice and the Explanatory Statement carefully before deciding how to vote on the Resolutions set out in the Notice.

EXPLANATORY STATEMENT

The Explanatory Statement provides additional information on matters to be considered at the Meeting and, together with the Proxy Form, forms part of the Notice and should be read in conjunction with it. Terms and abbreviations used in the Notice and the Explanatory Statement are defined in the Explanatory Statement.

REQUIRED MAJORITIES

All resolutions are **ordinary resolutions** and will be passed only if supported by a majority of the votes cast by Shareholders entitled to vote on the resolutions.

ENTITLEMENT TO VOTE

The Directors have determined a 'snapshot time' pursuant to regulation 7.11.38 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on 8 July 2014 at 5pm (WST).

HOW TO VOTE

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

VOTING IN PERSON

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

APPOINTMENT OF PROXIES

A Shareholder who is entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote at the Meeting. A Shareholder entitled to cast two or more votes may appoint one or two proxies and may specify the proportion of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy may be, but need not be, a Shareholder and can be an individual or a body corporate. **YOUR PROXY FORM IS ENCLOSED (AS A LOOSELEAF) WITH THIS NOTICE.**

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed with this Notice as soon as possible in accordance with the instructions provided prior to **2pm WST** on **8 July 2014**, being not less than 48 hours prior to the commencement of the Meeting. Proxy forms received later than this time will be invalid.



When the proxy form is executed under the power of attorney, the power of attorney must be lodged in the same way as the proxy form.

Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

BODIES CORPORATE

A body corporate may appoint an individual as its representative to exercise any of the powers the body corporate may exercise at meetings of the Shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body corporate could exercise at a meeting or in voting on a resolution.

The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

ENQUIRIES

All enquiries in relation to the contents of the Notice should be directed to Shane McBride on +61 (08) 9389 2700.



Explanatory Statement

1. BACKGROUND

1.1 Introduction

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at City West Receptions, 45 Plaistowe Mews, West Perth, Western Australia, 6005 on Thursday, 10 July 2014 at 2pm WST.

You should read this Explanatory Statement in full before making any decision in relation to the Resolutions. If Shareholders are in doubt about what to do in relation to the Resolutions set out in the Notice, they should consult a financial or other professional adviser.

There are four Resolutions to be put in the Meeting. Certain voting exclusions are imposed by the Listing Rules and the Corporations Act in relation to the Resolutions as detailed in the accompanying Notice. Capitalised terms in this Explanatory Statement are defined in Section 7 of the Explanatory Statement.

A summary of the key information in the Explanatory Statement relating to the Resolutions are set out below.

- (a) As announced by the Company on 5 May 2014, the Company entered into a binding term sheet with FFI, an Andrew Forrest entity within the Minderoo Group (FFI), to raise \$12 million by way of an equity capital raising (Placement). Subject to a number of conditions outlined in Sections 2.1 and 3, EMA will issue to FFI, and FFI will subscribe for, 400 million Placement Shares at an issue price of \$0.03 for each Placement Share to raise \$12 million. A free unlisted Placement Option will be attached to each Placement Share. The Placement Options will have an exercise price of \$0.05 and an expiry date of 30 June 2016. Please refer to Sections 2.1 and 3 for further details of the Placement.
- (b) Acorn, Acorn Clients, Macquarie and Element Funds Pty Ltd as trustee for the Element Resources Fund IV (Element) currently hold Convertible Notes (the current Convertible Noteholders). A number of the Convertible Noteholders also previously provided funding to the Company in the form of on demand Promissory Notes. The Convertible Noteholders have agreed to convert all their Convertible Notes and the Promissory Noteholders have agreed for the Company to issue shares to repay and satisfy their Promissory Notes (collectively known as the Notes Conversion). The issue price for each Promissory Note Share and the conversion price for the Convertible Notes will be \$0.038. Please refer to Sections 2.1 and 4 for further details of the Notes Conversion.
- (c) One of the conditions of the Placement and the Notes Conversion, collectively known as the **Transactions**, is that the Company obtains all necessary shareholder approval for the Transactions. Accordingly, pursuant to Resolutions 1 to 4, the Company is seeking all the necessary shareholder approval for the purposes of Listing Rule 7.1, item 7 of section 611 of the Corporations Act and all other purposes. Details relating to Resolutions can be found in Sections 2 to 5.
- (d) Pursuant to Resolutions 1, 3 and 4, the Company is also seeking Shareholder approval, for the purposes of section 606 of the Corporations Act, for the acquisition by:
 - (i) FFI of Relevant Interests in the Placement Shares and Placement Option Shares;
 - (ii) Macquarie of Relevant Interests in the Macquarie Shares and Macquarie Option Shares; and
 - (iii) Acorn, Acorn Clients and their associates of Relevant Interests in the Acorn Shares and Acorn Option Shares,



as the voting power of each in the Company will increase above 20% after the completion of the Transactions and also upon exercise of the Placement Options or the Noteholder Options (as applicable). For further details, please refer to Section 5.

- (e) After the completion of the Transactions:
 - (i) Macquarie's voting power in the Company will be:
 - (A) approximately 21.02% in the Company after the issue of the Macquarie Shares¹; and
 - (B) approximately 27.05% in the Company after the issue of the Macquarie Shares and the Macquarie Option Shares².

Macquarie will have a right to appoint a Director whilst it holds a voting power of 10% or more in the Company.

- (ii) Acorn's, Acorn Clients' and their associates' voting power in the Company will be:
 - (A) approximately 23.13%, an increase from their current voting power of 7.17%³, after the issue of the Acorn Shares; and
 - (B) approximately 29.01% in the Company after the issue of the Acorn Shares and the Acorn Option Shares⁴.

Acorn will have a right to appoint a Director whilst it holds a voting power of 10% or more in the Company.

- (iii) FFI's voting power in the Company will be:
 - (A) approximately 27.83% after the issue of the Placement Shares⁵; and
 - (B) approximately 43.54% after the issue of the Placement Shares and Placement Option Shares⁶.

FFI will have a right to appoint a Director while it holds a voting power of 10% or more in the Company.

Further details of the voting power of these parties are set out in Section 5.

- (f) The advantages and disadvantages of passing the Resolutions are set out in detail in Section 2.6.
- (g) The Independent Expert has concluded that the Transactions and the issue of Noteholder Option Shares are fair and reasonable to non-associated Shareholders. A copy of the Expert Report is

¹ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.

² This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions and that Macquarie exercises all the Macquarie Options (to raise \$19,012,270.16) and no other optionholders of the Company exercise their options.

³ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.

⁴ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions and that Acorn Clients exercise all the Acorn Options (to raise \$19,012,269.22) and no other optionholders of the Company exercise their options.

⁵ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.

⁶ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions and that FFI exercises all the Placement Options (to raise \$20,000,000) and no other optionholders of the Company exercise their options.



attached to the Explanatory Statement as Annexure 1 and Shareholders should read the Report carefully.

(h) All Directors recommend that Shareholders vote in favour of the Resolutions.

1.2 Action to be taken by Shareholders

Shareholders should read this Explanatory Statement and the Expert Report carefully before deciding how to vote on the Resolutions.

All Shareholders are invited and encouraged to attend the Meeting. If Shareholders are unable to attend in person, the attached Proxy Form should be completed, signed and returned to the Company in accordance with the instructions contained in the Proxy Form and the Notice of Meeting. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

2. THE TRANSACTIONS

2.1 Summary of the Transactions

As announced by the Company on 5 May 2014, the Company entered into a binding term sheet with FFI, an Andrew Forrest entity within the Minderoo Group, to raise \$12 million by way of a Placement.

Subject to a number of conditions outlined below in Section 3, EMA will issue to FFI, and FFI will subscribe for, 400 million Placement Shares at an issue price of \$0.03 for each Placement Share to raise \$12 million. A free unlisted Placement Option will be attached to each Placement Share. The Placement Options will have an exercise price of \$0.05 and an expiry date of 30 June 2016.

Acorn, Acorn Clients, Macquarie and Element currently hold Convertible Notes. A number of the Convertible Noteholders also previously provided funding to the Company in the form of on demand Promissory Notes. The Convertible Noteholders have agreed to convert all their Convertible Notes, and the Promissory Noteholders have agreed for the Company to issue shares to repay and satisfy their Promissory Notes.

The issue price for each Promissory Note Share and the conversion price for the Convertible Notes will be \$0.038.

The Promissory Noteholders and the Convertible Noteholders (as applicable) have also agreed to extend the repayment date of the Promissory Notes, and other ancillary dates relating to the Promissory Notes and Convertible Notes, from 2 May 2014 to 31 July 2014. All other terms of the Promissory Notes and Convertible Notes remain unchanged, including the Promissory Notes remaining as on-demand promissory notes. Further details are set out in Section 4 below.



2.2 Pro-Forma Capital Structure

The pro-forma capital structure of the Company on completion of the Transactions is set out in the table below.

Securities	Number	
Current capital structure		
Shares currently on issue	423,726,209	
Options currently on issue		
Unlisted options expiring 30 September 2014 exercisable at \$0.53	170,000	
Unlisted options expiring 14 October 2014 exercisable at \$0.22	59,356,725	
Unlisted options expiring 14 October 2014 exercisable at \$0.10	61,954,885	
Unlisted options expiring 31 January 2017 exercisable at \$0.18	1,075,000	
Unlisted options expiring 14 June 2018 exercisable at \$0.05	20,000,000	
Unlisted options expiring 16 December 2018 exercisable at \$0.10	61,000,000	
Unlisted options expiring 16 December 2018 exercisable at \$0.22	61,000,000	
Total Options	264,556,610	
Convertible Notes	15,021,053	
Securities to be issued pursuant to the Transactions		
Placement Shares	400,000,000	
Placement Options expiring 30 June 2016 exercisable at \$0.05	400,000,000	
Conversion Shares	514,076,978	
Promissory Note Shares	99,664,231	
Capital structure upon completion of the Transactions		
Shares	1,437,467,418	
Options	664,556,610	
Convertible Notes	0	

Shareholders should refer to the Expert Report for a more detailed analysis of the changes to the capital structure of the Company.



2.3 Pro forma statement of consolidated financial position

Set out below is the consolidated pro-forma statement of financial position for the Company showing the result of the completion of the Transactions.

	31 December 2013 Reviewed	31 March 2014 Unaudited	Pro forma Adjustments	31 March 2014 Unaudited
	\$	\$	\$	\$
Current Assets				
Cash and Cash equivalents	741,482	1,966,618	(1) 12,000,000	13,966,618
Trade & other receivables	46,134	77,205	-	77,205
Prepayments	31,571	33,477	-	33,477
Total Current Assets	819,187	2,077,300	12,000,000	14,077,300
Non-Current Assets				
Plant and equipment	264,274	234,623	-	234,623
Total non-current assets	264,274	234,623	-	234,623
Total Assets	1,083,461	2,311,923	12,000,000	14,311,923
Current Liabilities				
Trade and other payables	279,990	399,398	-	399,398
Provisions	56,910	66,910	-	66,910
Loans and borrowings	20,872,030	24,084,733	(2) (24,084,733)	
Total Current Liabilities	21,208,930	24,551,041	(24,084,733)	466,308
Non - Current Liabilities	28,582	28,582	-	28,582
Total Liabilities	21,237,512	24,579,623	(24,084,733)	494,890
Net (Deficiency) Assets	(20,154,051)	(22,267,700)	36,084,733	13,817,033
Equity				
Contributed Equity	27,725,770	27,621,461	36,084,733	63,706,194
Compound Financial Inst.	3,745,184	3,745,184	-	3,745,184
Reserves	1,374,663	1,374,663	-	1,374,663
Accumulated losses	(52,999,668)	(55,009,008)	-	(55,009,008)
TOTAL EQUITY	(20,154,051)	(22,267,700)	36,084,733	13,817,033
		•		

Notes to Pro-Forma Balance Sheet:

The adjustment denoted at (1) reflects the receipt by the Company of funds received on issue of the Placement Shares to FFI.

DR Cash and cash equivalents \$12,000,000
CR Contributed Equity (gross proceeds) \$12,000,000

The adjustment denoted at (2) reflects the Notes Conversion with conversion of the Promissory Notes and Convertible Notes into Conversion Shares and Promissory Note Shares.

DR Loans \$24,084,733

DR Loans \$24,084,733
CR Contributed Equity (gross proceeds) \$24,084,733



The cash balance at 31 March of \$1,966,618 which is \$1,225,136 more than the cash position reported at 31 December 2013 reflects cash outflow on exploration and administration of the Company's and its subsidiaries' operations of \$1,424,824 and receipt of \$2,649,960 from the drawdown of the Promissory Notes issued by the Company to the Promissory Noteholders on 27 January 2014.

2.4 The Transactions and the issue of the Noteholder Option Shares are fair and reasonable.

In accordance with ASIC Regulatory Guide 74 (ASIC RG 74), the Company has commissioned the Expert Report from BDO Corporate Finance (WA) Pty Ltd which is attached as Annexure 1.

The Expert Report notes that ASIC regulatory policy requires the fairness of issue of:

- (a) the Placement Shares and Placement Options (Placement Securities) to FFI;
- (b) the Macquarie Shares and the Macquarie Option Shares to Macquarie; and
- (c) the Acorn Shares and the Acorn Option Shares to Acorn and Acorn Clients,

be assessed in the same way as if the Company was subject of a takeover offer.

The Expert Report sets out a detailed examination of the Transactions and the issue of the Noteholder Option Shares to enable non-associated Shareholders to assess the merits and decide whether to approve the Transactions and the issue of the Noteholder Option Shares.

The Expert Report concludes that the Transactions and the issue of the Noteholder Option Shares are **fair and reasonable** to non-associated Shareholders.

You should read the Expert Report in full to understand its scope, the methodology of the valuation and the sources of information and assumptions made. BDO Corporate Finance (WA) Pty Ltd has consented to the use of its report and opinion in the form and context in which it appears.

2.5 Effects of the Transactions

In summary, if the Resolutions are passed and the Transactions are completed, the effect will be:

- (a) The number of Shares on issue will increase from 423,726,209 to 1,437,467,418 upon completion of the Transactions with the issue of the Placement Shares, the Promissory Note Shares and the Conversion Shares.
- (b) There will be 3 new major shareholders in the Company:
 - (i) Macquarie's voting power in the Company will be:
 - (A) approximately 21.02% in the Company after the issue of the Macquarie Shares⁷; and
 - (B) approximately 27.05% in the Company after the issue of the Macquarie Shares and the Macquarie Option Shares⁸.

Macquarie will have a right to appoint a Director whilst it holds a voting power of 10% or more in the Company.

⁷ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.

⁸ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions and that Macquarie exercises all the Macquarie Options (to raise \$19,012,270.16) and no other optionholders of the Company exercise their options.



- (ii) Acorn's, Acorn Clients' and their associates' voting power in the Company will be:
 - (A) approximately 23.13%, an increase from their current voting power of 7.56%, after the issue of the Acorn Shares; and
 - (B) approximately 29.01% in the Company after the issue of the Acorn Shares and the Acorn Option Shares ¹⁰.

Acorn will have a right to appoint a Director whilst it holds a voting power of 10% or more in the Company.

- (iii) FFI's voting power in the Company will be:
 - (A) approximately 27.83% after the issue of the Placement Shares¹¹; and
 - (B) approximately 43.54% after the issue of the Placement Shares and Placement Option Shares 12.

FFI will have a right to appoint a Director while it holds a voting power of 10% or more in the Company.

(c) The Company will not be required to repay the Convertible Notes and the Promissory Notes as the Convertible Notes will be converted into Conversion Shares and the issue of the Promissory Note Shares will result in the repayment and satisfaction of the Promissory Notes. The liabilities of the Company pursuant to the Convertible Notes and Promissory Notes of approximately \$24.5 million as at 18 July 2014 will be repaid. The Company will not be required to repay the capitalised fees of \$1.2 million of the Convertible Notes which form part of the outstanding amount payable for the Convertible Notes. These capitalised fees will also not form part of the conversion amount for the Convertible Notes which will be converted into Conversion Shares.

The royalty agreements between Narnoo Mining Pty Ltd (Narnoo), one of the Company's wholly-owned subsidiaries, and each of the Convertible Noteholders, will also come to an end. Under these royalty arrangements, Narnoo is required to pay a royalty of 1.5% (to a cumulative maximum of \$12 million) on all the gross proceeds actually received by Narnoo from selling mineral products, other than scandium, extracted and recovered from a number of the mining tenements held by Narnoo. That maximum amount of \$12 million may also be payable by Narnoo under the royalty arrangements if the Convertible Noteholders issue redemption notices under the Convertible Note Agreements because, if instructed by the Relevant Convertible Noteholders, the Convertible Noteholders must issue a surrender notice under which they agree to surrender all of their rights under the royalty arrangements and, in these circumstances, Narnoo would be required to pay the Convertible Noteholders a maximum of \$12 million. Therefore, in total, \$36.5 million of actual and contingent debt will be eliminated.

(d) The Board of the Company will change with the appointment of directors nominated by FFI, Macquarie and Acorn.

⁹ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.

¹⁰ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions and that Acorn Clients exercise all the Acorn Options (to raise \$19,012,269.22) and no other optionholders of the Company exercise their options.

¹¹ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.

¹² This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions and that FFI exercises all the Placement Options (to raise \$20,000,000) and no other optionholders of the Company exercise their options.



2.6 Advantages and disadvantages of passing Resolutions 1 to 4

The advantages of passing Resolutions 1 to 4 are:

(a) Full and final settlement of the Promissory Notes and the Convertible Notes

If the Resolutions are approved and the Transactions are completed, the Company will not be required to repay the Convertible Notes and the Promissory Notes. The Convertible Notes will be converted into Shares and the issue of the Promissory Note Shares will result in the repayment and satisfaction of the Promissory Notes.

The liabilities of the Company pursuant to the Convertible Notes and Promissory Notes of approximately \$24.5 million will be repaid. As outlined in Section 2.5(c) above, the Company will not be required to repay the capitalised fees of \$1.2 million of the Convertible Notes which form part of the outstanding amount payable for the Convertible Notes. These capitalised fees will also not form part of the conversion amount for the Convertible Notes which will be converted into Conversion Shares. The royalty agreements between Narnoo and each of the Convertible Noteholders, which have a contingent liability of \$12 million, will also come to an end.

(b) Injection of funds

The Placement will result in the injection of \$12 million in the Company which will provide the Company with the funds to undertake the activities as shown in Section 3(g).

(c) Three supportive major shareholders

The completion of the Transactions is expected to result in a supportive share register with three stable and major investors in Acorn, FFI and Macquarie which signals confidence in the Board, management and strength of its business.

(d) The Independent Expert has concluded that the Transactions and the issue of the Noteholder Option Shares are fair and reasonable to Shareholders not associated with FFI, Macquarie, Acorn and Acorn Clients.

The principal disadvantages in passing Resolutions 1 to 4 are:

- (a) The aggregate percentage holding of existing Shareholders will be diluted by the issue of:
 - (i) the Placement Shares, the Conversion Shares and the Promissory Note Shares; and
 - (ii) the Placement Option Shares and the Noteholder Option Shares.

If the Resolutions are passed and following the completion of the Transactions with the issue of the Placement Shares, the Conversion Shares and the Promissory Note Shares as well as the exercise of the Placement Options, existing non-associated Shareholders' interests, including the interests of Sumico (WA) Pty Ltd ATF Busani Family Trust (**Sumico**), will be diluted from 92.83% to 21.93% on a diluted basis. Sumico, a current related party of the Company, will go from holding 60.45% of the issued capital of the Company to 13.94%, while other non-associated Shareholders will be diluted from 32.37% of the issued capital of the Company to 7.99% on a diluted basis. If all the Noteholder Options are also exercised, Sumico will be diluted from holding 60.45% of the Company's issued capital to holding 12.31% while the non-associated Shareholders' interests will be diluted from 32.37% to 7.31%.

(b) The liquidity of the Company may be reduced further as FFI, Macquarie, Acorn, Acorn Clients and Sumico will together hold a significant percentage of the total Shares after the completion of the Transactions.



(c) You may disagree with the Directors and/or findings of the Independent Expert as to the fairness and reasonableness of the Transactions and the issue of the Noteholder Option Shares and believe that the Transactions and the issue of the Noteholder Option Shares are not in your best interests. However, if Resolutions 1 to 4 are not passed, the benefits outlined in the section above will not be realised including the benefits of there no longer being any amounts required to be repaid under the Convertible Notes and the Promissory Notes to the Noteholders. If, for any reason, the Transactions do not complete, there is a risk of the Promissory Noteholders seeking immediate repayment of the Promissory Notes, resulting in the current outstanding amount of \$3.8 million becoming immediately repayable. This would also result in the Convertible Notes with a current outstanding amount of \$20.7 million also becoming immediately repayable. An additional amount of \$12 million may also be payable by Narnoo under the royalty arrangements if the Convertible Noteholders issue redemption notices under the Convertible Note Agreements because, if instructed by the Relevant Convertible Noteholders, the Convertible Noteholders must also issue a surrender notice under which they agree to surrender all of their rights under the royalty arrangements and, in these circumstances, Narnoo will be required to pay the Convertible Noteholders a maximum of \$12 million. Therefore, under the circumstances described above, a total amount of \$36.5 million may become due and payable.

Despite the disadvantages set out immediately above, it is, however, the opinion of the Directors that the overall value of the Company will be substantially improved by the completion of the Transactions and that the advantages far outweigh the disadvantages.

2.7 Recommendation of Directors

The Directors recommend that Shareholders **vote** in **favour** of the Resolutions as each Director believes that these Resolutions are in the best interests of the Shareholders and the Company. Each Director intends to vote his own shareholdings, if any, in favour of these Resolutions.

The Chairman intends to vote all undirected proxies in favour of each Resolution.

Michael Fewster, who controls Sumico (WA) Pty Ltd ATF Busani Family Trust, a major shareholder of the Company, has advised the Company that, in the absence of a superior proposal, he intends to vote in favour of all the Resolutions.

3. RESOLUTION 1 – SHAREHOLDER APPROVAL UNDER LISTING RULE 7.1 FOR THE PLACEMENT

Resolution 1 is an ordinary resolution seeking Shareholders approval under Listing Rule 7.1 for the issue of Placement Securities to FFI subject to shareholder approval being received and the Noteholders agreeing to the Notes Conversion.

Pursuant to Resolution 1, the Company is also seeking shareholder approval, for the purposes of section 606 of the Corporations Act, for the acquisition by FFI of Relevant Interests in the Placement Shares and the Placement Option Shares. For further details, please see Sections 5.1 and 5.2 below.

Listing Rule 7.1 provides that subject to certain exceptions (which do not apply to the Placement), a listed company may not issue or agree to issue equity securities equal to more than 15% of that company's issued share capital in any 12 months without obtaining shareholder approval.

Shareholder approval under Listing Rule 7.1 is required for the issue of the Placement Securities to FFI as the Placement Securities issued to FFI comprise more than 15% of the current issued capital of the Company.

Listing Rule 7.3 - Information to be provided to Shareholders

Listing Rule 7.3 requires that the following information be provided to Shareholders for the purposes of approving the issue of the Placement Securities to FFI under Listing Rule 7.1:

(a) The maximum number of:



- (i) Placement Shares that the Company will issue is 400,000,000 Placement Shares; and
- (ii) Placement Options that the Company will issue is 400,000,000 Placement Options.
- (b) The Company will issue all of the Placement Securities on or about 18 July 2014 but in any event, no later than 3 months after the date of the Meeting.
- (c) The issue price for each Placement Share is \$0.03 and the total consideration payable for the Placement Shares is \$12 million. There will be no consideration payable for the Placement Options with the issue price for each Placement Option being nil.
- (d) The Placement Securities will be issued to Forrest Family Investments Pty Ltd as trustee for The Peepingee Trust.
- (e) The Placement Shares will be fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares.
- (f) Each Placement Option will:
 - (i) be exercisable for one Share;
 - (ii) have an exercise price of \$0.05; and
 - (iii) expire on 30 June 2016.

The terms and conditions of the Placement Options are set out in Schedule A of this Explanatory Statement.

- (g) The funds raised from the Placement Shares will be used to facilitate the completion of a bankable feasibility study for the Mulga Rocks project including:
 - (i) metallurgical optimisation work;
 - (ii) infill and extension drilling to increase JORC 2004 code classification and size of existing JORC 2004 resources;
 - (iii) completion of environmental approvals;
 - (iv) design and construction of a pilot plant;
 - (v) mine modelling to convert JORC 2004 resources to JORC 2012 reserves;
 - (vi) retention of tenements; and
 - (vii) additional working capital.

No money will be raised from the issue of the Placement Options to FFI and a total amount of \$20,000,000 will be raised if the Placement Options are exercised in full. The Company intends to use the funds raised from the issue of Placement Option Shares for exploration and development on its Mulga Rock uranium project and as general working capital.



4. RESOLUTION 2 - ISSUE OF ADDITIONAL SHARES FOR CONVERSION OF CONVERTIBLE NOTES AND IN REPAYMENT AND SATISFACTION OF THE PROMISSORY NOTES

4.1 Convertible Notes

In 2011 and 2012, the Company issued a total of 15,021,053 Convertible Notes at a subscription price of \$0.95 to the Convertible Noteholders. At any time, the Convertible Noteholders can convert the Convertible Notes into the number of Shares equal to the outstanding amount payable by the Company under the Convertible Notes to each Convertible Noteholder (Conversion Amount) divided by the relevant conversion price – currently \$0.05 but it will be adjusted downwards if the Company issues Shares to new investors at a lower price (ie. to that lower issue price which will occur upon the issue of the Placement Shares). In the event of conversion of the Convertible Notes by the Convertible Noteholders, the Conversion Amount will not include any capitalised fees paid by the Company to the Convertible Noteholders.

The Convertible Notes are currently accruing interest at 10% per annum. Full details of the terms of the Convertible Notes and associated documentation are contained in cleansing statements of the Convertible Notes dated 14 October 2011 and 23 November 2012 and notices of meeting dated 26 October 2011, 22 November 2012 and 4 February 2014.

Subject to a number of conditions including:

- (a) shareholder approval for the Transactions and the issue of Noteholder Option Shares being received;
- (b) the Placement completing;
- (c) the Convertible Noteholders and Promissory Noteholders being satisfied, that:
 - (i) the term sheet between the Company and FFI setting out the terms of the Placement (as disclosed in Section 3) has not been amended without the consent of the Convertible Noteholders and Promissory Noteholders;
 - (ii) acting reasonably, the Notes Conversion will occur on the same terms for all the Noteholders;
 - (iii) acting reasonably, no director or senior manager of the Company or any of its wholly-owned subsidiaries has received additional remuneration before the completion of the Notes Conversion; and
 - (iv) no insolvency event, being an event of default under clauses 12.1(d) to (k) (inclusive) has occurred to the Company, and
- (d) Acorn and Macquarie being satisfied that each of them will be entitled to appoint a Director as long as each of them holds a voting power of 10% or more in the Company;

the Convertible Noteholders have agreed to convert all of their Convertible Notes into Shares (**Conversion Shares**) at a conversion price of \$0.038 (**Conversion Price**).

In November 2011 and December 2012, Shareholders passed resolutions approving the Convertible Notes having the right to convert into Shares. In December 2012, Shareholders also approved the reduction in the conversion price for the 2011 Convertible Notes as the conversion price was not adjusted in accordance with the terms of the 2011 Convertible Note Agreement. In agreement with the Convertible Noteholders as was announced on 19 November 2012, the conversion price for the 2011 Convertible Notes was adjusted from \$0.18 to \$0.07 which would have resulted in the issue of an additional 99,952,657 shares upon the conversion of the 2011 Convertible Notes. Accordingly, in December 2012, shareholder approval was obtained under Listing Rule 7.1 for the issue of these additional shares upon the conversion of the 2011 Convertible Notes.



In accordance with the terms of the Convertible Note Agreements, the Conversion Price for the Convertible Notes would be adjusted to \$0.03 upon the issue of the Placement Shares as the Placement Shares are being issued at a lower price to the current conversion price. However, the Convertible Noteholders have agreed, subject to the above conditions, to convert the Convertible Notes at the Conversion Price of \$0.038 and, accordingly, the Conversion Price for the Convertible Notes will not be adjusted to \$0.03 in accordance with the Convertible Note Agreements. Accordingly, Shareholder approval is being sought for the issue to the Convertible Noteholders of that number of Shares as will be calculated by dividing the Conversion Amount by \$0.038. Shareholder approval is required because conversion will not be in accordance with the terms of the Convertible Note Agreements and the shareholder approval previously obtained in December 2012.

In addition to agreeing to convert the Convertible Notes (subject to the above conditions), the Convertible Noteholders have agreed to:

- (a) amend the Convertible Note Agreement so that the Company's obligation to maintain liquid assets of \$1,000,000 is suspended until the earlier of:
 - (i) 31 July 2014; and
 - (ii) the date of completion of an equity raising by the Company of at least \$10 million (**Equity Raising**); and
- (b) amend the Convertible Note Agreements so that the date by which the Company must complete the Equity Raising is extended to 31 July 2014; and
- (c) waive, until 31 July 2014, any rights that they may have under the Convertible Note Agreements to issue a redemption notice as a result of the Company's securities being in voluntary suspension for 5 trading days or more.

Other than as set out above, the terms of the Convertible Notes and ancillary documentation, including the securities provided by the Company to the Convertible Noteholders and the Promissory Noteholders which comprise the fixed and floating charge provided by the Company and its wholly owned subsidiaries and the mining mortgage provided by Narnoo over the Company's mining tenements in Project Narnoo and the Mulga Rock Project, remain in full force and effect until Notes Conversion. Full details of the terms of the Convertible Notes and ancillary documentation are contained in cleansing statements of the Convertible Notes dated 14 October 2011 and 23 November 2012 and notices of meeting dated 26 October 2011, 22 November 2012 and 4 February 2014.

4.2 **Promissory Notes**

A number of the Convertible Noteholders have also provided EMA with funding by way of on-demand Promissory Notes. The total principal amount under the Promissory Notes of \$3.6 million (**Principal Promissory Amount**) is repayable at any time on demand and must be repaid in full on or before 31 July 2014.

The Principal Promissory Amount is accruing interest at the rate of 10% per annum. Full details of the terms of the Promissory Notes are contained in the ASX announcements dated 27 September 2013, 27 November 2013, 20 December 2013 and 24 January 2014 and the Notice of Meeting dated 4 February 2014.

Subject to a number of conditions as outlined in Section 4.1 above, the Promissory Noteholders have agreed that the Company may repay and satisfy the Promissory Notes through the issue of Promissory Note Shares at an issue price for each of the Promissory Note Shares of \$0.038 (**Promissory Note Issue Price**).

In March 2014, the Company obtained Shareholder approval for the Company to issue Shares in repayment and satisfaction of the Promissory Notes. In accordance with the terms of the shareholder approval obtained in March 2014 and under Listing Rule 7.3, the Company was required to issue these Shares within 3 months of that meeting, being on 7 June 2014. Accordingly, the Company is now required to seek fresh Shareholder approval to issue the Promissory Note Shares.



In addition to agreeing that the Company may repay and satisfy the Promissory Notes by the issue of Promissory Note Shares at the Promissory Note Issue Price (subject to the above conditions outlined in Section 4.1 above), the Promissory Noteholders have also agreed to:

- (a) extend the repayment date of the Promissory Notes from 2 May 2014 to 31 July 2014; and
- (b) extend that date under the Promissory Notes by which the Company must complete the Equity Raising to 31 July 2014.

Other than as set out above, the terms of the Promissory Notes, including the Promissory Noteholders' rights to demand repayment of the Promissory Notes at any time, remain in full force and effect until Notes Conversion. Full details of the terms of the Promissory Notes are contained in the ASX announcements dated 27 September 2013, 27 November 2013, 20 December 2013 and 24 January 2014 and the Notice of Meeting dated 4 February 2014.

4.3 Listing Rule 7.1

As outlined above, Listing Rule 7.1 provides that subject to certain exceptions (which do not apply to the issue of the Conversion Shares and Promissory Note Shares) a listed company may not issue, or agree to issue, equity securities equal to more than 15% of that company's issued share capital in any 12 months without obtaining shareholder approval.

Shareholder approval under Listing Rule 7.1 is required for the issue of the Conversion Shares and Promissory Note Shares as the Conversion Shares and Promissory Note Shares will comprise more than 15% of the current issued capital of the Company.

4.4 Listing Rule 7.3 - Information to be provided to Shareholders

The following information is required by Listing Rule 7.3 in relation to the Promissory Note Shares and Conversion Shares:

- (a) The maximum number of:
 - (i) Promissory Note Shares which the Company will issue is 99,664,231 Promissory Note Shares;
 - (ii) Conversion Shares which the Company will issue is 514,076,978 Conversion Shares.
- (b) The Company will issue the Promissory Note Shares and the Conversion Shares on or about 18 July 2014 but in any event, no later than 3 months after the date of the Meeting.
- (c) The issue price for each Promissory Note Share and each Conversion Share is \$0.038.
- (d) The Company will issue:
 - (i) 49,827,353 Promissory Note Shares and 252,255,306 Conversion Shares to Acorn Clients;
 - (ii) 49,836,878 Promissory Note Shares and 252,255,306 Conversion Shares to Macquarie Bank Limited; and
 - (iii) 9,566,366 Conversion Shares to Element Funds Pty Ltd as trustee for the Element Resources Fund IV.
- (e) The Promissory Note Shares and the Conversion Shares will be fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares.



(f) No funds will be raised by the issue of the Promissory Note Shares and Conversion Shares. The Promissory Note Shares will be issued to satisfy the Principal Promissory Amount (and any accrued interest) owing by the Company under the Promissory Notes at that time. The Conversion Shares will be issued as a result of the conversion of the Convertible Notes.

5. RESOLUTIONS 1, 3 AND 4 – APPROVAL OF ACQUISITION BY FFI, MACQUARIE, ACORN AND ACORN CLIENTS OF RELEVANT INTEREST IN SHARES

5.1 Item 7 of section 611 of the Corporations Act

Pursuant to Resolutions 1, 3 and 4, the Company is also seeking Shareholder approval, for the purposes of section 606 of the Corporations Act, for the acquisition by:

- (a) FFI of Relevant Interests in the Placement Shares and Placement Option Shares;
- (b) Macquarie of Relevant Interests in the Macquarie Shares and Macquarie Option Shares; and
- (c) Acorn, Acorn Clients and their associates of Relevant Interests in the Acorn Shares and Acorn Option Shares,

as the voting power of each in the Company will increase above 20% after the completion of the Transactions and also upon the exercise of the Placement Options or the Noteholder Options (as applicable).

Section 606(1) of the Corporations Act provides that a person must not acquire a Relevant Interest in issued voting shares in a company if:

- » the company is a listed company;
- » the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person; and
- » because of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606(1) of the Corporations Act if an acquisition is approved previously by a resolution passed by shareholders at a general meeting of the company.

After the completion of the Transactions¹³:

(a) Macquarie's voting power in the Company will be:

- (i) approximately 21.02% in the Company after the issue of the Macquarie Shares¹⁴; and
- (ii) approximately 27.05% in the Company after the issue of the Macquarie Shares and the Macquarie Option Shares¹⁵

Macquarie will have a right to appoint a Director whilst it holds a voting power of 10% or more in the Company.

¹³ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.

¹⁴ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.

¹⁵ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions and that Macquarie exercises all the Macquarie Options (to raise \$19,012,270.16) and no other optionholders of the Company exercise their options.



- (b) Acorn's, Acorn Clients' and their associates' voting power in the Company will be:
 - (i) approximately 23.13%, an increase from their current voting power of 7.56%; and
 - (ii) approximately 29.01% in the Company after the issue of the Acorn Shares and the Acorn Option Shares¹⁶.

Acorn will have a right to appoint a Director whilst it manages 10% or more of the total issued Share capital in the Company.

- (c) FFI's voting power will be:
 - (i) approximately 27.83% after the issue of the Placement Shares¹⁷; and
 - (ii) approximately 43.54% after the issue of the Placement Shares and Placement Option Shares 18.

FFI will have a right to appoint a Director while it holds a voting power of 10% or more in the Company.

Accordingly, Shareholder approval for the acquisition of Relevant Interests in:

- (a) the Macquarie Shares and Macquarie Option Shares by Macquarie;
- (b) the Acorn Shares and Acorn Option Shares by Acorn, Acorn Clients and their associates;
- (c) the Placement Shares and Placement Option Shares by FFI,

is required under item 7 of section 611 of the Corporations Act.

The following additional information is included in accordance with the requirements of Item 7 of section 611 of the Corporations Act and ASIC RG 74.

5.2 Placement

(a) The identity of the acquirer, its associates and any persons who will hold a Relevant Interest in the Placement Securities and the Placement Option Shares

The Placement Securities and the Placement Option Shares will be issued to FFI.

The associates of FFI are:

- (i) Port Hedland Development Fund No 8 Pty Ltd
- (ii) AF Nickel Pty Ltd
- (iii) Minderoo Group Pty Ltd
- (iv) Forrest & Forrest Pty Ltd

¹⁶ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions and that Acorn exercises all the Acorn Options (to raise \$19,012,269.22) and no other optionholders of the Company exercise their options.

¹⁷ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.

¹⁸ This figure assumes that no other Shares are issued other than the 1,013,741,208 shares pursuant to the Transactions and FFI exercise all the Placement Options (to raise \$20,000,000) and no other optionholders of the Company exercise their options.



- (v) Harvest Road Export Pty Ltd
- (vi) H2Onslow Pty Ltd
- (vii) The Metal Group Pty Ltd
- (viii) Athol Street Developments Pty Ltd
- (b) Full particulars (including the number and percentage) of the Shares to which FFI is, or will be, entitled to immediately before the issue of Placement Securities, the voting power that FFI and its associates will have as a result of the completion of the Transactions and the maximum extent of the increase in FFI's and its associates' voting power as a result of the completion of the Transactions
 - (i) Current voting power of FFI

As at the date of the Notice of Meeting, FFI and its associates do not hold any Shares.

(ii) Voting power of FFI after the issue of Placement Shares and Placement Option Shares

The table below shows the impact of the issue of Placement Shares and Placement Option Shares on FFI's voting power in the Company.

FFI's voting power in the Company	Number of Shares	Voting Power
As a result of the issue of the Placement Shares ¹	400,000,000	27.83%
As a result of the issue of the Placement Shares and all the Placement Option Shares ²	400,000,000	43.54%

¹ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.

As FFI does not have any associates who independently hold Shares:

- » the maximum extent of the increase in the voting power of each of FFI's associates that would result from the completion of the Transactions; and
- » the voting power that each FFI's associates would have as a result of from the completion of the Transactions,

is the same as the:

- w the maximum extent of the increase in FFI's voting power in the Company that would result from the completion of the Transactions; and
- » the voting power that FFI would have as a result of the completion of the Transactions,

as set out above

² This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions before the date of the exercise of the Placement Options and no other optionholders of the Company exercise their options.



(c) The identity, associations and qualifications of the person who is intended to become a Director if Shareholders approve Resolution 1

FFI has the right to appoint a Director to the Board whilst it holds a voting power of 10% or more in the Company.

FFI has not yet advised the Company who it intends to nominate to be appointed as a Director after the completion of the Placement.

Following completion of the Placement, FFI intends, in consultation with the current Board, to nominate a director with the requisite expertise and experience to complement the current Board. FFI has not yet identified an appropriate candidate. FFI has not yet identified an appropriate candidate, however, as soon as it has done so, the Company will advise Shareholders in an ASX announcement.

(d) Details of any relevant agreement between FFI and the Company

Details of the proposed Placement are set out in Sections 2.1 and 3. The key terms of the Placement Options are set out in Schedule A.

(e) Intentions of FFI as to the Future of the Company

This Section sets out the present intentions of FFI regarding the future of the Company if Resolution 1 is approved.

The statements of intention in this Section must be read subject to the following:

- (i) the statements are based on information concerning the Company and the circumstances affecting the Company's business that are known to FFI at the date of this Explanatory Statement;
- (ii) the Director nominated by FFI will not represent a majority of the Board and will not be able to himself determine decisions of the Board; and
- (iii) in accordance with the Corporations Act, the appointed Director nominee of FFI will have a duty to act in good faith in the best interests of the Company for a proper purpose and in doing so will need to have regard to the interests of all Shareholders. They will also have a duty to avoid conflicts of interest. Accordingly, on matters pertaining to FFI, they will:
 - (A) not be present while the matter is being considered at any board meetings; and
 - (B) not vote on the matter.

Nature and conduct of business	There is no immediate intention of FFI to change the nature and conduct of business of the Company.
Injection of future capital	Except for Placement Securities, there is no immediate intention of FFI to inject future capital into the Company.
Future employment of employees	There is no immediate intention of FFI to change the employment arrangements of employees of the Company.
Transfer of assets	There is no immediate intention of FFI to transfer the assets of the Company.



Redeployment of fixed assets	There is no immediate intention of FFI to redeploy the fixed assets of the Company.	
Financial or dividend policies	There is no immediate intention of FFI to change the financial or dividend policies of the Company.	

5.3 Issue of Macquarie Shares

(a) The identity of the acquirer, its associates and any persons who will hold a Relevant Interest in the Macquarie Shares

The Macquarie Shares will be issued to Macquarie.

- (b) Full particulars (including the number and percentage) of the Shares to which Macquarie is, or will be, entitled to immediately before the issue of Macquarie Shares, the voting power that Macquarie and its associates will have as a result of the completion of the Transactions and the maximum extent of the increase in Macquarie's and its associates' voting power as a result of the completion of the Transactions and the issue of Macquarie Option Shares to Macquarie
 - (i) Current voting power of Macquarie and its associates

As at the date of the Notice of Meeting, Macquarie and its associates do not hold any Shares but Macquarie currently holds 118,975,868 Macquarie Options.

(ii) Voting power of Macquarie and its associates after the issue of the Macquarie Shares and Macquarie Options upon the completion of the Transactions and issue of the Macquarie Options

The table below shows the impact of the issue of Macquarie Shares and Macquarie Option Shares on Macquarie's voting power in the Company.

Macquarie's voting power in the Company	Number of Shares	Voting Power
As a result of the issue of the Macquarie Shares ¹	302,092,184	21.02%
As a result of the issue of the Macquarie Shares and Macquarie Option Shares ²	421,068,052	27.05%

¹ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.

As Macquarie does not have any associates who independently hold Shares:

- w the maximum extent of the increase in the voting power of each of Macquarie's associates that would result from the completion of the Transactions and issue of all the Macquarie Option Shares; and
- » the voting power that each of Macquarie's associates would have as a result of from the completion of the Transactions and issue of all the Macquarie Option Shares,

² This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions before the date of the exercise of the Placement Options and no other optionholders of the Company exercise their options.



is the same as the:

- w the maximum extent of the increase in Macquarie's voting power in the Company that would result from the completion of the Transactions and issue of all the Macquarie Option Shares; and
- » the voting power that Macquarie would have as a result of the completion of the Transactions and issue of all the Macquarie Option Shares,

as set out above.

(c) The identity, associations and qualifications of the person who is intended to become a Director if Shareholders approve Resolution 3

Macquarie has the right to appoint a Director to the Board whilst it holds a voting power of 10% or more in the Company.

Macquarie has not yet advised the Company who it intends to nominate to be appointed as a Director after the completion of the Transactions.

Following completion of the Transactions, Macquarie intends, in consultation with the current Board, to nominate a director with the requisite expertise and experience to complement the current Board. Macquarie has not yet identified an appropriate candidate, however, as soon as it has done so, the Company will advise Shareholders in an ASX announcement.

(d) Details of any relevant agreement between Macquarie and the Company

Details of the proposed Notes Conversion are set out in Sections 2.1 and 4 above. Details of the Convertible Note Agreements, the Convertible Notes and Promissory Notes and associated documentation have previously been disclosed to the market in cleansing statements of the Convertible Notes dated 14 October 2011 and 23 November 2012 and notices of meeting dated 26 October 2011, 22 November 2012 and 4 February 2014.

The key terms of the Macquarie Options are set out in Schedule B.

(e) Intentions of Macquarie as to the Future of the Company

This Section sets out the present intentions of Macquarie regarding the future of the Company if Resolution 3 is approved.

The statements of intention in this Section must be read subject to the following:

- the statements are based on information concerning the Company and the circumstances affecting the Company's business that are known to Macquarie at the date of this Explanatory Statement;
- (ii) the Director nominated by Macquarie will not represent a majority of the Board and will not be able to himself determine decisions of the Board; and
- (iii) in accordance with the Corporations Act, the appointed Director nominee of Macquarie, will have a duty to act in good faith in the best interests of the Company for a proper purpose and in doing so will need to have regard to the interests of all Shareholders. They will also have a duty to avoid conflicts of interest. Accordingly, on matters pertaining to Macquarie, they will:
 - (A) not be present while the matter is being considered at any board meetings; and



(B) not vote on the matter.

Nature and conduct of business	There is no immediate intention of Macquarie to change the nature and conduct of business of the Company.
Injection of future capital	There is no immediate intention of Macquarie to inject future capital into the Company.
Future employment of employees	There is no immediate intention of Macquarie to change the employment arrangements of employees of the Company.
Transfer of assets	There is no immediate intention of Macquarie to transfer the assets of the Company.
Redeployment of fixed assets	There is no immediate intention of Macquarie to redeploy the fixed assets of the Company.
Financial or dividend policies	There is no immediate intention of Macquarie to change the financial or dividend policies of the Company.

5.4 Issue of Acorn Shares

(a) The identity of the acquirer, its associates and any persons who will hold a Relevant Interest in the Acorn Shares

The Acorn Shares will be issued to Acorn Clients:

- (i) 21,746,328 Conversion Shares and 4,537,391 Promissory Note Shares will be issued to Sunsuper Pty Ltd as trustee for Sunsuper Superannuation Fund;
- (ii) 13,448,055 Conversion Shares will be issued to CSF Pty Ltd as trustee for Catholic Superannuation Fund;
- (iii) 39,385,868 Conversion Shares and 8,217,898 Promissory Note Shares will be issued to Australian Unity Funds Management Ltd as responsible entity for AU Acorn Microcap Trust;
- (iv) 17,464,772 Conversion Shares and 3,644,041 Promissory Note Shares will be issued to Commonwealth Bank Officers Superannuation Corporation Pty Ltd as trustee for Officers' Superannuation Fund;
- (v) 19,699,849 Conversion Shares and 4,110,392 Promissory Note Shares will be issued to Health Super Pty Ltd as trustee for Health Super;
- (vi) 36,553,499 Conversion Shares and 7,626,921 Promissory Note Shares will be issued to Australian Microcap Investments Pty Ltd as trustee for Microcap Investment Trust 1; and
- (vii) 103,956,935 Conversion Shares and 21,690,710 Promissory Note Shares will be issued to Australian Microcap Investments Pty Ltd as trustee for Microcap Investment Trust 2.

The associates of Acorn are as follows:

- Auscoal Superannuation Fund
- Queensland Local Government Superannuation



- Acorn Capital Microcap Trust
- (b) Full particulars (including the number and percentage) of the Shares to which Acorn is, or will be, entitled to immediately before the issue of Acorn Shares, the voting power that Acorn and its associates will have as a result of the completion of the Transactions and the maximum extent of the increase in Acorn's, Acorn Clients' and their associates' voting power as a result of the completion of the Transactions and the issue of all the Acorn Option Shares
 - (i) Current voting power of Acorn, Acorn Clients and their associates

As at the date of the Notice of Meeting, Acorn, Acorn Clients and their associates hold 30,399,092 Shares which represents a voting power of 7.17% in the Company.

Acorn Clients also hold 118,975,861 Acorn Options.

(ii) Voting power of Acorn, Acorn Clients and their associates after the issue of the issue of the Acorn Shares upon the completion of the Transactions

The table below shows the impact of the issue of Acorn Shares and Acorn Option Shares on Acorn's, Acorn Clients' and their associates' voting power in the Company.

Acorn's, Acorn Clients' and their associates' voting power in the Company	Number of Shares	Voting Power
As a result of the issue of the Acorn Shares ¹	332,481,750	23.13%
As a result of the issue of the Acorn Shares and Acorn Option Shares ²	451,457,618	29.01%

¹ This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to

As Acorn and Acorn Clients do not have any other associates who independently hold Shares other than as previously disclosed to the Company:

- » the maximum extent of the increase in the voting power of each of Acorn's associates that would result from the completion of the Transactions and issue of Acorn Option Shares; and
- » the voting power that each Acorn's associates would have as a result of from the completion of the Transactions and issue of Acorn Option Shares,

is the same as the:

- when the maximum extent of the increase in Acorn's voting power in the Company that would result from the completion of the Transactions and issue of Acorn Option Shares; and
- » the voting power that Acorn would have as a result of the completion of the Transactions and issue of Acorn Option Shares,

² This figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions before the date of the exercise of the Placement Options and no other optionholders of the Company exercise their options.



as set out above.

(c) The identity, associations and qualifications of the person who is intended to become a Director if Shareholders approve Resolution 4

Acorn has the right to appoint a Director to the Board whilst it holds a voting power of 10% or more in the Company.

Acorn has not yet advised the Company who it intends to nominate to be appointed as a Director after the completion of the Transactions.

Following completion of the Transactions, Acorn intends, in consultation with the current Board, to nominate a director with the requisite expertise and experience to complement the current Board. Acorn has not yet identified an appropriate candidate, however, as soon as it has done so, the Company will advise Shareholders in an ASX announcement.

(d) Details of any relevant agreement between Acorn, Acorn Clients and the Company

Details of the proposed Notes Conversion are set out in Sections 2.1 and 4 above. Details of the Convertible Note Agreements, the Convertible Notes and Promissory Notes and associated documentation have previously been disclosed to the market in cleansing statements of the Convertible Notes dated 14 October 2011 and 23 November 2012 and notices of meeting dated 26 October 2011, 22 November 2012 and 4 February 2014.

The key terms of the Acorn Options are set out in Schedule B.

(e) Intentions of Acorn as to the Future of the Company

This Section sets out the present intentions of Acorn and Acorn Clients regarding the future of the Company if Resolution 4 is approved.

The statements of intention in this Section must be read subject to the following:

- (i) the statements are based on information concerning the Company and the circumstances affecting the Company's business that are known to Acorn at the date of this Explanatory Statement;
- (ii) the Director nominated by Acorn will not represent a majority of the Board and will not be able to himself determine decisions of the Board; and
- (iii) in accordance with the Corporations Act, as an appointed nominee of Acorn, will have a duty to act in good faith in the best interests of the Company for a proper purpose and in doing so will need to have regard to the interests of all Shareholders. They will also have a duty to avoid conflicts of interest. Accordingly, on matters pertaining to Acorn, Acorn Clients and their associates, they will:
 - (A) not be present while the matter is being considered at any board meetings; and
 - (B) not vote on the matter.

Nature and conduct of business	There is no immediate intention of Acorn and Acorn Clients to change the nature and conduct of business of the Company.
Injection of future capital	There is no immediate intention of Acorn and Acorn



	Clients to inject future capital into the Company.	
Future employment of employees	There is no immediate intention of Acorn and Acorn Clients to change the employment arrangements of employees of the Company.	
Transfer of assets	There is no immediate intention of Acorn and Acorn Clients to transfer the assets of the Company.	
Redeployment of fixed assets	There is no immediate intention of Acorn and Acorn Clients to redeploy the fixed assets of the Company.	
Financial or dividend policies	There is no immediate intention of Acorn and Acorn Clients to change the financial or dividend policies of the Company.	

6. OTHER INFORMATION

6.1 Scope of Disclosure

The provisions of the Corporations Act require that this Explanatory Statement sets out all information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the Resolutions and which is known to the Company.

The Company is not aware of any relevant information that is material to the decision on how to vote on the Resolutions other than the information disclosed in this Explanatory Statement or previously disclosed to Shareholders by the Company by notification to the ASX.

6.2 Interests of Directors

Except as otherwise disclosed in this Notice of Meeting and Explanatory Statement, the Directors have no personal interest in the outcome of the Resolutions except as Shareholders. In this regard, the table below sets out the details of the current interests of the Directors and their associates in the Company.

Director	Shares	Options	% interest in the Company (pre- completion of the Transactions) ¹	% interest in the Company following completion of the Transactions
Julian Tapp	20,000,000	10,000,000 Options exercisable at 5 cents each with an expiry date of 14 June 2018	4.72%	1.39%%
David Cornell	-	-	-	-
Mike Young	20,000,000	10,000,000 Options exercisable at 5 cents each with an expiry date of 14 June 2018	4.72%	1.39%
TOTAL	40,000,000	20,000,000	9.44%	2.78%

¹ These figures are based on the Company's current issued share capital of 423,726,209 Shares.

² These figure assumes that no other Shares are issued other than the 1,013,741,208 Shares pursuant to the Transactions.



6.3 Taxation

Shareholders are advised to seek their own taxation advice on the effect of the Resolutions on their personal position and neither the Company, the Directors, nor any adviser to the Company accepts any responsibility for any individual Shareholder's taxation consequences.



7. **DEFINITIONS**

In this Explanatory Statement and Notice:

'2011 Convertible Note Agreement' means the convertible note agreement between the Convertible Noteholders, the Company, the Security Providers and Macquarie in its capacity as trustee for the Company Security Trust dated 6 October 2011 as amended from time to time.

'2012 Convertible Note Agreement' means the convertible note agreement between the Convertible Noteholders, the Company, the Security Providers and Macquarie in its capacity as trustee for the Company Security Trust dated 16 November 2012 as amended from time to time.

'2011 Convertible Notes' means the convertible notes issued pursuant to the 2011 Convertible Note Agreement.

'2012 Convertible Notes' means the convertible notes issued pursuant to the 2012 Convertible Note Agreement.

'Acorn' means Acorn Capital Limited ACN 082 694 531.

'Acorn Clients' means:

- (a) Australian Unity Funds Management Ltd ACN 071 497 115 as responsible entity for AU Acorn Microcap Trust;
- (b) Commonwealth Bank Officers Superannuation Corporation Pty Ltd ACN 074 519 798 as trustee for Officers' Superannuation Fund;
- (c) CSF Pty Ltd ACN 006 169 286 as trustee for the Catholic Superannuation Fund;
- (d) Health Super Pty Ltd ACN 084 162 489 as trustee for Health Super;
- (e) Australian Microcap Investments Pty Ltd ACN 127 745 395 as trustee for Microcap Investment Trust 1;
- (f) Australian Microcap Investments Pty Ltd ACN 127 745 395 as trustee for Microcap Investment Trust 2; and
- (g) Sunsuper Pty Ltd ACN 010 720 840 as trustee for the Sunsuper Superannuation Fund.

'Acorn Option Shares' means the Shares which are issued upon the exercise of the Acorn Options.

'Acorn Options' means the options which are currently held by Acorn Clients.

'Acorn Shares' means the Conversion Shares and Promissory Note Shares which are to be issued to Acorn and Acorn Clients subject to shareholder approval pursuant to Resolution 4.

'ASIC RG 74' means ASIC Regulatory Guide 74.

'ASX' means ASX Limited ACN 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

'ASX Listing Rules' or 'Listing Rules' means the listing rules of the ASX.

'Board' means the board of Directors.



'Company' or 'EMA' means Energy and Minerals Australia Limited ACN 120 178 949.

'Constitution' means the constitution of the Company in effect immediately prior to and during the Meeting.

'Conversion Price' means the conversion price for the Convertible Notes.

'Conversion Shares' means the Shares to be issued on conversion of the Convertible Notes and which are subject to Shareholder approval pursuant to Resolution 2.

'Convertible Note Agreements' means 2011 Convertible Note Agreement and 2012 Convertible Note Agreement.

'Convertible Noteholder' means a holder of a 2011 Convertible Note or a 2012 Convertible Note.

'Convertible Notes' means the convertible notes issued under the Convertible Note Agreements.

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

'Director' means a director of the Company.

'Element' means Element Funds Pty Limited ACN 160 520 516 as trustee for the Element Resources Fund IV.

'Expert' means BDO Corporate Finance (WA) Pty Ltd.

'Expert Report' means the report of the Expert attached as Annexure 1 and forming part of the Explanatory Statement.

'Explanatory Statement' means the explanatory statement accompanying the Notice.

'FFI' means Forrest Family Investments Pty Ltd ACN 055 961 361 as trustee for The Peepingee Trust.

'Macquarie' means Macquarie Bank Limited ACN 008 583 542.

'Macquarie Shares' means Conversion Shares and Promissory Note Shares which are to be issued to Macquarie subject to Shareholder approval being received pursuant to Resolution 3.

'Macquarie Option Shares' means the Shares which will be issued upon the exercise of the Macquarie Options.

'Macquarie Options' means the options which are currently held by Macquarie.

'Meeting' means the general meeting of the Shareholders of the Company convened by the Notice.

'Narnoo' means Narnoo Mining Pty Ltd ACN 084 713 100.

'Noteholder Option Shares' means the Shares issued upon the exercise of the Noteholder Options.

'Noteholder Options' means the Macquarie Options and the Acorn Options.

'Notes Conversion' has the meaning provided in Section 1.1(b).

'Notice' means this notice of Meeting.

'Placement' means the subscription of Placement Securities by FFI for a consideration of \$12 million.

'Placement Option Shares' means the Shares which are issued upon the exercise of the Placement Options.



'Placement Options' means the options which are subject to Shareholder approval pursuant to Resolution 1.

'Placement Securities' means the Placement Options and the Placement Shares.

'Placement Shares' means the Shares which are subject to Shareholder approval pursuant to Resolution 1.

"Principal Promissory Amount' means the amount repayable under the Promissory Notes, being the amount of \$3.6 million.

'Promissory Noteholders' means holders of the Promissory Notes which comprise Macquarie and a number of the Acorn Clients.

'**Promissory Notes**' means the loans provided by a number of Convertible Noteholders in the form of ondemand promissory notes.

'Promissory Note Shares' means the Shares which are to be issued by the Company to the Promissory Noteholders in payment and satisfaction of their obligations under Promissory Notes and which are subject to Shareholder approval pursuant to Resolution 2.

'Proxy Form' means the proxy form attached to the Notice.

'Relevant Convertible Noteholders' means the Convertible Noteholders who have subscribed for 66% or more by value in aggregate of the 2011 Convertible Notes or the 2012 Convertible Notes (as applicable).

'Relevant Interest' has the meaning given in section 9 of the Corporations Act.

'Section' means a Section of this Explanatory Statement.

'Security Providers' means the subsidiaries of the Company being Gunbarrel Energy and Minerals Australia Pty Ltd, Camuco Pty Ltd and Narnoo, who have agreed to provide a guarantee and indemnity as well as security in accordance with the terms of the Note Agreements.

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

'Shareholder' means a shareholder of the Company.

'Sumico' means Sumico (WA) Pty Ltd ACN 119 782 339 ATF Busani Family Trust.

'Transactions' means the Placement and the Notes Conversion.



SCHEDULE A - SUMMARY OF THE TERMS OF PLACEMENT OPTIONS

- 1. The Placement Options are granted free of payment.
- 2. Each Placement Option entitles the holder (**Placement Option Holder**) to subscribe for and be issue one Share (**Placement Option Share**).
- 3. The exercise price for each Placement Option (which is payable immediately on exercise) is \$0.05 per Placement Option Share (Exercise Price).
- 4. The Placement Options are exercisable after their issue date and will expire at 5.00pm WST on 30 June 2016 (Expiry Date).
- 5. Any Placement Options which have not been exercised on or before 5.00pm WST on the Expiry Date lapse automatically.
- 6. The Placement Options are not transferable.
- 7. The Company will not apply to ASX for quotation of the Placement Options.
- 8. Placement Options may only be exercised by notice in writing (Exercise Notice) to the registered office of the Company. The Exercise Notice must specify the number of Placement Options being exercised. The Placement Option Holder must pay to the Company the Exercise Price in respect of each Placement Option Share specified in the Exercise Notice by:
 - (a) bank cheque; or
 - (b) electronic funds transfer into an account nominated by the Company.
- 9. The Exercise Notice only becomes effective when the Company has received cleared funds for the full amount of the Exercise Price specified under the Exercise Notice.
- 10. Within 5 Business Days after the Exercise Notice becomes effective, the Company must:
 - (a) issue to the Placement Option Holder one Placement Option Share for each Placement Option exercised by the Placement Option Holder;
 - (b) deliver to the Placement Option Holder a holding statement setting out the number of Placement Option Shares which has been issued to the Placement Option Holder;
 - (c) apply to ASX for quotation of all Placement Option Shares issued pursuant to the Exercise Notice and give to ASX an Appendix 3B in relation to these Placement Option Shares; and
 - (d) issue (if applicable) a new holding statement for the balance of the Placement Options held by the Placement Option Holder.
- 11. All Placement Option Shares will rank equally in all respects with other existing Shares.
- 12. If there is a Bonus Issue to Shareholders, the number of Shares over which the Placement Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Placement Option had been exercised before the Record Date for the Bonus Issue.
- 13. In the event of a Pro Rata Issue (except a Bonus Issue) of Shares by the Company, the Exercise Price for each Placement Option will be adjusted in accordance with Listing Rule 6.22.2 of the Listing Rules.
- 14. If any reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company occurs before the expiry of any Placement Options, the number of Placement Options to which the Placement Option Holder is entitled, the Exercise Price of the Placement Options, or both, must be reorganised in accordance with the Listing Rules.



- 15. A Placement Option does not confer the right to participate in new issues of capital offered to Shareholders (**Rights Entitlement**) during the term of the Placement Options without exercising the Placement Options. However, the Company will send a notice to the Placement Option Holder informing them of the new issues of capital in accordance with the Listing Rules.
- 16. A Placement Option Holder may only participate in new issues of securities to Shareholders if the Placement Option has been exercised before the Record Date for determining entitlement to the issue. For the avoidance of doubt, no option term or condition will limit any rights that the Placement Option Holder may have in its capacity as a Shareholder.
- 17. The Company will, in accordance with the Listing Rules, send notice to the Placement Option Holder stating the name of the Placement Option Holder, the number of Placement Options held and the number of Placement Option Shares to be issued on exercise of the Placement Options, the Exercise Price, the due date for payment, and the consequences of non-payment.
- 18. The Placement Options do not provide any entitlement to dividends paid to Shareholders.
- 19. The Placement Options do not entitle the Placement Option Holder to vote at any meeting of Shareholders.
- 20. Subject to the Listing Rules, the Corporations Act and the Constitution, the terms and conditions of Placement Options applicable to the Placement Option Holder may be varied at any time by written agreement between the Company and the Placement Option Holder.
- 21. If any Placement Option certificate is lost, stolen, mutilated, defaced or destroyed:
 - (a) the Placement Option Holder may apply for a replacement certificate, to be accompanied by:
 - (i) a written statement that the Placement Option certificate has been lost or destroyed and not otherwise pledged, sold or otherwise disposed of;
 - (ii) if the Placement Option certificate has been lost, a written statement that proper searches have been made; and
 - (iii) an undertaking that, if the certificate is found or received by the Placement Option Holder, it will be returned to the Company; and
 - (b) the Company must issue a replacement certificate to the Placement Option Holder within 10 Business Days after receipt of the documents referred to in paragraph 21(a) above.
- 22. In this Schedule 1, the expressions Bonus Issue, Pro Rata Issue and Record Date have the meaning given in the Listing Rules.
- 23. These terms and conditions of the Placement Options are governed by the laws of Western Australia.



SCHEDULE B - SUMMARY OF THE TERMS OF ACORN OPTIONS AND MACQUARIE OPTIONS

- 1. **Right to subscribe**: Each Noteholder Option entitles the holder (**Optionholder**) to subscribe for, and be allotted, one fully paid ordinary share (**Option Share**) in the Company.
- 2. **Vesting**: The Noteholder Options will vest immediately upon grant.
- 3. **Exercise Price**: The exercise price for:
 - (a) 59,289,028 of Macquarie Options is \$0.22;
 - (b) 59,686,840 of Macquarie Options is \$0.10;
 - (c) 59,289,026 of Acorn Options is \$0.22; and
 - (d) 59,686,835 of Acorn Options is \$0.10.

4. Expiry Date:

- (a) 59,314,954 of Macquarie Options and 59,314,952 of Acorn Options will expire at 5:00pm (WST) on 14 October 2014; and
- (b) 59,660,914 of Macquarie Options and 59,660,909 of Acorn Options will expire at 5.00pm (WST) on 16 December 2018.

Any Noteholders Options that have not been exercised on or before their expiry date lapse automatically.

- 5. **Transferability of Noteholder Options**: An Optionholder must not transfer its Noteholder Options other than:
 - (a) a trustee, custodian or nominee of the Optionholder;
 - (b) a person who has a beneficial interest in any Noteholder Options held by the Optionholder;
 - (c) a manager of any Noteholder Options held by the Optionholder;
 - (d) a related body corporate of the Optionholder or of any person referred to in items (a), (b) or (c) above;
 - (e) a new entity established by the Optionholder pursuant to a restructure of the business of the Optionholder;
 - (f) a replacement trustee or responsible entity of any trust of which the Optionholder is a trustee or responsible entity or a custodian, sub-custodian or nominee of any trustee or responsible entity of that trust;
 - (g) a person to whom an Optionholder has transferred all of its Convertible Notes,

which in each case, must be an entity that comes within section 708(8), (10) or (11) of the Corporations Act and must not be an excluded transferee (as that term is defined in the Convertible Note Agreements).

A transferee of Noteholder Options must execute and deliver a deed of adherence agreeing to comply with the Optionholder's obligations under the relevant option agreement.

An Optionholder may only transfer all (but not some) of its Noteholder Options.

6. **Exercise**: Each Optionholder may exercise all (but not some) of its Noteholder Options in each tranche at any time prior to the expiry date by delivering a completed and executed option notice to the Company. An option notice is irrevocable once given.



- 7. **Issue**: The issue of the Option Shares must occur on the day that is 5 Business Days after the option notice is given by the Optionholder to the Company. The Option Shares must be issued together with all rights attaching to them at the time of completion and free and clear from all security interests and other third party rights.
- 8. **Listing**: The Company will not apply for official quotation of the Noteholder Options. Under the relevant option agreement, the Company is required to apply to ASX for quotation of the Option Shares within 2 trading days of the issue of those Option Shares.
- 9. **Ranking of Option Shares:** All Option Shares issued upon the exercise of Noteholder Options will rank equally in all respects with other Shares then on issue.
- 10. **Transferability of Option Shares**: The Option Shares will be freely transferrable without any requirement for disclosure to investors under Part 6D.2 of the Corporations Act upon the Company lodging a notice under section 708A(6) of the Corporations Act or a disclosure document under Chapter 6D.2 of the Corporations Act. The Company may also decide to issue the Noteholder Options under a disclosure document prepared in accordance with Chapter 6D.2 of the Corporations Act. This will result in the Option Shares being freely transferable with the Company not requiring to lodge a further notice under section 708A(6) of the Corporations Act or a disclosure document under Chapter 6D.2 of the Corporations Act upon the issue of the Option Shares.
- 11. **Re-organisation**: In the event of any re-organisation (including a consolidation, sub-division, reduction or return) of the issued capital of the Company on or prior to the expiry date, the rights of the Optionholder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of re-organisation.
- 12. **Governing law**: These terms are governed by the laws of Western Australia. The parties submit to the non-exclusive jurisdiction of that place.



ANNEXURE 1 – INDEPENDENT EXPERT REPORT

PROXY FORM

REGISTERED OFFICE: GROUND FLOOR 25 RICHARDSON STREET WEST PERTH WA 6005

ENERGY AND MINERALS AUSTRALIA LIMITED

ABN: 56 120 178 949

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535, APPLECROSS WA 6953
770 Canning Highway,
APPLECROSS WA 6153
T: (08) 9315 2333
F: (08) 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

«HOLDER_NAME	
«ADDRESS_LINE_1	»
«ADDRESS_LINE_2	»
«ADDRESS_LINE_3	»
«ADDRESS_LINE_4	»
«ADDRESS_LINE_5	»

OR

ASX Code: EMA

HIN/SRN No.:

SECTION A: Appointment of Proxy

		Aller	70000				
			400007				

I/We being a member(s) of Energy And Minerals Australia Limited and entitled to attend and vote hereby appoint:

The Chairperson of the Meeting (mark with an "X")

Name of the person you are appointing if this person is someone other than the Chairperson of the Meeting

or failing attendance at the Meeting of the person or body corporate named above, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the Meeting on my/ our behalf and to vote in accordance with the directions on this Proxy (or if no directions have been given and to the extent permitted by law, as the Proxy sees fit) at the general meeting (**Meeting**) of Energy and Minerals Australia Limited to be held City West Receptions, 45 Plaistowe Mews, West Perth, Western Australia, 6005 on Thursday, 10 July 2014 at 2pm WST and at any adjournment of that Meeting.

The Chairperson of the Meeting intends to vote all undirected proxies in favour of the Resolutions.

Please mark with "X" in the box to indicate your voting directions to your Proxy: ORDINARY RESOLUTION 1. ISSUE OF PLACEMENT SHARES AND PLACEMENT OPTIONS 2. ISSUE OF CONVERSION SHARES AND PROMISSORY NOTE SHARES 3. ACQUISITION OF RELEVANT INTERESTS BY MACQUARIE 4. ACQUISITION OF RELEVANT INTEREST BY ACORN AND ACORN CLIENTS

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

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

This section must be signed in accordance with the instructions below to enable your directions to be implemented. Individual or Security Holder 1 Security Holder 2 Security Holder 3 Sole Director and Sole Company Secretary Director Change of Name or Address: If your registration details are incorrect, please mark this box and make the correction on this form. Please note: CHESS sponsored holders must notify their sponsoring broker of the change. Your broker will notify the registry. My/Our contact details in case of enquiries are: Contact Name Contact Number

Shareholders are entitled to appoint up to two (2) Proxies to attend the Meeting and vote on their behalf. Proxies do not need to be Shareholders of the Company.

If you wish to appoint two (2) Proxies, please phone Security Transfer Registrars on +61 8 9315 2333 to obtain your second proxy form. Both forms must be completed with the nominated amount (number/percentage) clearly printed on each of the forms. If you do not specify the nominated amount, each Proxy may exercise half of your voting rights.

PLEASE RETURN BOTH OF THE FORMS TOGETHER

NOTES

1. Name and Address

This is the name and address on the Share Register of Energy and Minerals Australia Limited. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. Appointment of a Proxy

If you wish to appoint the Chairperson of the Meeting as your Proxy please mark 'X' in the first box in Section A.

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the Meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a Shareholder of Energy and Minerals Australia Limited.

3. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second Proxy an additional proxy form may be obtained by telephoning the Company's Share Registry (08) 9315 2333 or you may photocopy this form.

To appoint a second Proxy you must:

- (a) On each of the first Proxy form and the second proxy form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- (b) Return both forms in the same envelope.

4. Directing your Proxy how to vote

To direct the Proxy how to vote place an 'X' in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

5. Signing Instructions

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

Joint Holding: where the holding is in more than one name all of the Shareholders must sign.

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

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

If a representative of a company Shareholder is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the Meeting or at the registration desk on the day of the Meeting. A form of the certificate may be obtained from the Company's Share Registry.

Lodgement of Proxy

This proxy form (and any power of attorney under which it is signed) must be received no later than 2pm WST on Tuesday, 8 July 2014 at 2pm, being 48 hours before the time for holding the Meeting. Any proxy form received after that time will not be valid for the scheduled Meeting. Please lodge the proxy form with the Company's Share Registry, you are encouraged to submit your proxy by mail or fax 08 9315 2233. The addresses of Security Transfer are as follows:

By mail: Security Transfer Registrars Pty Ltd

PO Box 535 Applecross WA 6953

By hand: Suite 1, 770 Canning Highway

Applecross WA 6153

By Fax: + 61 8 9315 2233

By email: registrar@securitytransfer.com.au







Financial Services Guide

21 May 2014

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Energy and Minerals Australia Limited ('EMA') to provide an independent expert's report on the proposed placement and conversion of convertible notes which will increase the shareholding of more than one party in EMA to greater than 20%. You will be provided with a copy of our report as a retail client because you are a shareholder of EMA.

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. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take 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.



Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$30,000.

Except for the fees referred to above, neither BDO, 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.

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. We have received a fee from EMA for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

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.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Toll free: 1300 78 08 0

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

Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by SRK Consulting Pty Ltd







21 May 2014

The Directors
Energy and Minerals Australia Limited
Ground floor, 25 Richardson St
West Perth
WA 6005

Dear Directors,

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 5 May 2014, Energy and Minerals Australia Limited ('EMA' or 'the Company') announced the proposed placement and conversion of convertible notes and promissory notes which will increase the shareholding of more than one party in EMA to greater than 20%. The proposed placement and conversion of convertible notes and promissory notes are summarised below:

- Proposed share placement for EMA to issue 400 million fully paid ordinary shares ('Placement Shares') to Forrest Family Investments Pty Ltd ('FFI') at \$0.03 per share to raise \$12 million.
 A 1-for-1 unlisted option will be attached to the Placement Shares exercisable at \$0.05 on or before 30 June 2016 ('Placement Options');
- Contingent on the success of the proposed share placement is the requirement for the convertible and promissory note holders to convert the debt of \$24.5 million, to fully paid ordinary EMA shares at a price of \$0.038 per share ('Notes Conversion'); and
- As a result of the Notes Conversion, a potential royalty of up to an amount of \$12 million will be extinguished.

The above points are conditional upon each other and collectively are referred to as ('the Transaction').

2. Summary and Opinion

2.1 Purpose of the report

The directors of EMA have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Transaction is fair and reasonable to the non associated shareholders of EMA ('Shareholders').

Our Report is prepared pursuant to Section 611 Item 7 of the Corporations Act 2001 (Cth) ('the Act') and is to be included in the Notice of Meeting and accompanying Explanatory Memorandum for EMA in order to assist the Shareholders in their decision whether to approve the Transaction.



2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC'), Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- How the value of an EMA share prior to the Transaction on a controlling interest basis compares to the value of an EMA share following the Transaction on a minority interest basis (undiluted);
- How the value of an EMA share prior to the Transaction on a controlling interest basis compares to the value of an EMA share following the Transaction on a minority interest basis (diluted);
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to Shareholders.

2.4 Fairness

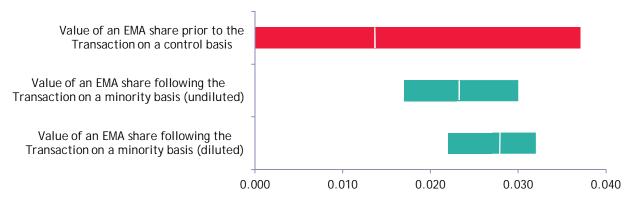
In section 14 we determined that the value of an EMA share prior to the Transaction on a controlling interest basis is less than the value of an EMA share following the Transaction on a minority interest basis, on both an undiluted and diluted basis, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of an EMA share prior to the Transaction on a controlling interest basis	12.3	0.000	0.014	0.037
Value of an EMA share following the Transaction on a minority interest basis (undiluted)	13.1	0.017	0.023	0.030
Value of an EMA share following the Transaction on a minority interest basis (diluted)	13.1	0.022	0.027	0.032

Source: BDO analysis



The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information the Transaction is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 15 of this report, in terms of both

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Transaction is reasonable for Shareholders.



The respective advantages and disadvantages considered are summarised below:

ADVANTAG	ADVANTAGES AND DISADVANTAGES								
Section	Advantages	Section	Disadvantages						
15.3	The Transaction is fair	15.4	Dilution of existing Shareholders' interests						
15.3	The Company's continuation as a going concern								
15.3	Lack of viable alternatives to repay the convertible notes								
15.3	Strengthening of the Company's balance sheet								
15.3	The presence of a large strategic investor								
15.3	The Company will be well placed to capitalise on the forecast increase in uranium prices								
15.3	The Company will not be required to pay the royalty of \$12 million, currently classified as a contingent liability								

Other key matters we have considered include:

Section	Description
15.5.1	Availability of alternative funding
15.5.2	Potential decline in share price

3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.



RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of EMA, by either:

- undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of EMA have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the Listing Rules nor the Act defines the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of an EMA share prior to the Transaction on a controlling interest
 basis and the value of an EMA share following the Transaction on a minority interest basis (fairness see Section 14 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 15 'Is the Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a



reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

On 5 May 2014, the Company announced the proposed issue of 400 million Placement Shares to FFI at \$0.03 per share to raise \$12 million. The Company will also issue 400 million attaching Placement Options exercisable at \$0.05 per share on or before 30 June 2016. The Placement Options are not transferrable.

The Transaction is subject to Shareholder approval and the following conditions precedent:

- EMA must obtain Shareholder approval for the Notes Conversion as Acorn Capital Limited and its clients ('Acorn') and Macquarie Bank Limited ('Macquarie'), if the Transaction is approved, will each hold in excess of 20% of the issued capital of EMA; and
- EMA must obtain Shareholder approval to issue the Placement Shares and Placement Options as the issue will result in FFI holding greater than 20% of the issued capital of EMA.

If the Transaction is approved, the royalty agreements between EMA (through its subsidiary Narnoo Mining Pty Ltd) and each of the Noteholders will be terminated. Under these royalty agreements the Company is required to pay a royalty of 1.5% of the gross proceeds received from selling mineral products up to a maximum of \$12 million ('Royalty Agreements'). In the event the Noteholders redeem the Notes, the Company is required to pay the maximum amount of \$12 million to the Noteholders.

The Company is also seeking shareholder approval for the maximum holding Acorn and Macquarie will have in EMA following the exercise of the options held by each party prior to the Transaction ('Noteholder Options'). The Noteholder Options are exercisable at \$0.10 and \$0.22 on or before 16 December 2018. The Company also has other options on issue, with the terms of these options outlined in section 5.6.

To provide background on the convertible notes and promissory notes ('the Notes') which are to be converted as a condition precedent to the Transaction we have detailed the sequence of events relating to these Notes as set out below.

- On 6 October 2011, the Company issued \$10 million of convertible notes to Australian resource and investment groups Acorn, Macquarie and the Element Resources Fund ('Element') (collectively the 'Noteholders'). The notes were convertible at \$0.18 per share, with interest charged at 10% per annum over a maturity period of two years. As part of the convertible note issue, the Company also issued 59,356,725 options exercisable at \$0.22 within three years from issue.
- On 1 October 2012, the Company announced a breach of the convertible note agreement whereby EMA's liquid assets reduced to below \$1 million. There was also a breach as a result of Sumico (WA) Pty Ltd not reducing its shareholding in the Company below 45% prior to 30 September 2012. These breaches entitled the Noteholders to redeem the notes, however the Noteholders provided an extension to 12 October 2012 for the Company to comply with these conditions.
- On 12 October 2012, the Company and the Noteholders agreed to extend the terms to 26 October 2012.



- On 26 October 2012, a further extension to 9 November 2012 was agreed between EMA and the Noteholders.
- On 9 November 2012, an extension to 16 November 2012 was granted by the Noteholders.
- On 16 November 2012, a further extension to 23 November 2012 was agreed to allow completion of the pending capital raising.
- On 19 November 2012, EMA announced a capital raising of \$4.12 million via the issue of convertible notes to Acorn, Macquarie and Element maturing on 14 October 2013. The convertible notes were convertible at \$0.07 per share and attracted an interest rate of 10% per annum, which could have increased in certain circumstances. The convertible notes package also included 61,954,886 options exercisable at \$0.10 on or before 14 October 2014. The Company also announced that the Noteholders would receive \$1,200,000 for agreeing to the above amendments to the convertible notes issued in 2011.
- On 31 January 2013, the Company announced a further renegotiation of the terms of the convertible notes, whereby the Company received an extension from 31 January 2013 to 28 February 2013 to raise \$2 million from third party investors.
- On 31 January 2013, this was extended to 28 February 2013.
- On 28 February 2013, EMA and the Noteholders agreed to extend the condition to 29 March 2013.
- On 27 September 2013, the Noteholders provided additional short term funding of \$300,000 which was to mature on 30 November 2013.
- On 11 October 2013, a further extension of the conditions to 16 December 2013 was agreed upon by the Company and the Noteholders.
- On 27 November 2013, the Company announced the provision of an additional \$300,000 in short term funding provided by the Noteholders. The Noteholders also granted an extension of the maturity date of the initial \$300,000 (announced in September 2013) to 16 December 2013.
- On 13 December 2013, the Company announced the Noteholders had extended the maturity date
 of the convertible notes and short term funding to 15 January 2014.
- On 20 December 2013, EMA announced it had received additional short term funding of \$350,000 from the Noteholders, which was also repayable on 15 January 2014.
- On 15 January 2014, the Company and its Noteholders agreed to extend the maturity dates to 24 January 2014.
- On 24 January 2014, the Company announced it had secured an additional \$2.65 million of funding from the Noteholders with a maturity date of 31 March 2014. On this date the Noteholders also agreed to extend the maturity date of previously issued notes to 31 March 2014, pending the Company's intended \$10 million private placement.
- On 27 March 2014, the Company and its Noteholders agreed to extend the maturity date of the notes to 22 April 2014.
- On 17 April 2014, EMA announced the maturity dates for the notes had been extended to 2 May 2014.



• On 5 May 2014, the day of the announcement of the Transaction, the Company indicated that the maturity dates for the Notes had been extended to 31 July 2014.

Shareholding

The issue of the Placement Shares and the Notes Conversion are conditional upon each other, as such we have considered each of the below parties' shareholding following the issue of the Placement Shares and Notes Conversion collectively. Prior to the Transaction, Sumico WA Pty Ltd and Eaglefield Holdings Pty Ltd ('Fewster & Associates') collectively hold approximately 60.45% of EMA's issued capital. We note the table below outlines the potential shareholding on an undiluted basis assuming the Noteholder Options and Placement Options are not exercised.

Shares on issue following the Transaction (undiluted basis)	Fewster & Associates	Macquarie	Acorn	FFI	Other	Total
Issued shares as at the date of this Report	256,160,538		30,399,092		137,166,579	423,726,209
% holdings as at the date of this Report	60.45%	0.00%	7.17%	0.00%	32.37%	100.00%
Shares issued pursuant to conversion of						
Convertible Notes	-	252,255,306	252,255,306	-	9,566,366	514,076,978
Shares issued pursuant to conversion of						
Promissory Notes	-	49,836,878	49,827,353	-	-	99,664,231
Shares issued pursuant to Placement	-	-	-	400,000,000	-	400,000,000
Issued shares following completion of the						
Transaction (undiluted basis)	256,160,538	302,092,184	332,481,751	400,000,000	146,732,945	1,437,467,418
% holdings following completion of the						
Transaction (undiluted basis)	17.82%	21.02%	23.13%	27.83%	10.21%	100.00%

Given the Placement Options are exercisable at \$0.05 and the share price as at 15 May 2014 is \$0.06 we have also expressed the shareholding of each of the above parties on a diluted basis assuming the exercise of the Placement Options issued to FFI. We note that for our valuation of an EMA share following the Transaction on a diluted basis, as outlined in section 13.1, we have assumed that the Noteholder Options and other options on issue prior to the Transaction are not exercised. The shareholding of each party under this scenario is detailed in the table below.

Shares on issue following the Transaction	Fewster & Associates	Macquarie	Acorn	FFI	Other	Total
(diluted basis)						
Issued shares as at the date of this Report	256,160,538	-	30,399,092	-	137,166,579	423,726,209
% holdings as at the date of this Report	60.45%	0.00%	7.17%	0.00%	32.37%	100.00%
Shares issued pursuant to conversion of						
Convertible Notes	-	252,255,306	252,255,306	-	9,566,366	514,076,978
Shares issued pursuant to conversion of						
Promissory Notes	-	49,836,878	49,827,353	-	-	99,664,231
Shares issued pursuant to Placement	-	-	-	400,000,000	-	400,000,000
Shares issued on exercise of Placement Options	-	-	-	400,000,000	-	400,000,000
Issued shares following completion of the						
Transaction (diluted basis)	256,160,538	302,092,184	332,481,751	800,000,000	146,732,945	1,837,467,418
% holdings following completion of the						
Transaction (diluted basis)	13.94%	16.44%	18.09%	43.54%	7.99%	100.00%

The Company is seeking shareholder approval for FFI to potentially increase its interest in EMA to 43.54%, for Acorn to increase its interest to 29.01% and for Macquarie to potentially increase its interest to



27.05%. These scenarios assume that each party exercises their options, with no other options being exercised. The maximum holdings of Macquarie, Acorn and FFI are outlined in the table below.

Maximum holding of each party	Fewster & Associates	Macquarie	Acorn	FFI	Other	Total
Issued shares following completion of the Transaction						
(undiluted basis)	256,160,538	302,092,184	332,481,751	400,000,000	146,732,945	1,437,467,418
Exercise of Macquarie options only	-	118,975,868	-	-	-	118,975,868
Issued shares following exercise of Macquarie options						
only	256,160,538	421,068,052	332,481,751	400,000,000	146,732,945	1,556,443,286
% holdings following exercise of Macquarie options	16.46%	27.05%	21.36%	25.70%	9.43%	100.00%
Exercise of Acorn options only	-	-	118,975,861	-	-	118,975,861
Issued shares following exercise of Acorn options only	256,160,538	302,092,184	451,457,612	400,000,000	146,732,945	1,556,443,279
% holdings following exercise of Acorn options only	16.46%	19.41%	29.01%	25.70%	9.43%	100.00%
Exercise of FFI options only	=	=	=	400,000,000	-	400,000,000
Issued shares following exercise of FFI options only	256,160,538	302,092,184	332,481,751	800,000,000	146,732,945	1,837,467,418
% holdings following exercise of FFI options only	13.94%	16.44%	18.09%	43.54%	7.99%	100.00%

5. Profile of EMA

5.1 History and overview

EMA was incorporated on 13 June 2006 and listed on the Australian Securities Exchange ('ASX') on 23 May 2008. The Company is singularly focused on the exploration and development of uranium in Western Australia, with its major project, the Mulga Rock Project progressing toward the pre-feasibility stage.

EMA's current board members and senior management are:

- The Hon Cheryl Edwardes, Chairman;
- Mr Mike Young, Managing Director, Chief Executive Officer;
- Mr Julian Tapp, Chief Operating Officer and Executive Director;
- Mr David Cornell, Non-executive Director; and
- Mr Shane McBride, Chief Financial Officer and Company Secretary.

Set out below is a brief description of EMA's Mulga Rock Project.

5.2 Mulga Rock Project

The Mulga Rock Project is a uranium project that was acquired in 2007 and is located approximately 240 km northeast of Kalgoorlie Boulder.

The Mulga project area consists of four separate deposits including the Ambassador, Emperor, Shogun and Princess deposits. The Ambassador, Emperor and Shogun deposits were discovered from 1979 onwards by PNC Exploration Australia Pty Ltd, a Japanese Government owned corporation. In 1987, the project was acquired by Eaglefield Holdings Pty Ltd ('Eaglefield') with Eaglefield undertaking exploration work for multiple commodities between 2003 and 2007.



In 2012, EMA discovered the Princess deposit which is located close to the Company's proposed central processing plant location. The Princess deposit is relatively shallow, starting at less than 40 metres in depth and once mined out; the pit will provide below-ground storage for process tailings.

In July 2012, the Company was granted Mining Leases, M39/1080 and M39/1081, by the Western Australian Department of Mines & Petroleum. The mining leases cover 12,500 hectares and encompass the four deposits.

Due to its climate and geographical isolation, there are no competing land uses and native titles on the mining leases as pastoral and agricultural production are not viable in the Mulga Rock region.

5.3 Gunbarrel Project

The Gunbarrel Project is located in the Mt Margaret Mineral Field approximately 250 km northeast of Kalgoorlie on the western edge of the Great Victoria Desert. The project is accessed by road from Kalgoorlie via the well-formed Yarri, Mt Celia and Linden shire roads.

Additional information on these projects can be found in Appendix 3.



5.4 Historical Statement of Financial Position

	Reviewed as at	Audited as at	Audited as at
Statement of Financial Position	31-Dec-13	30-Jun-13	30-Jun-12
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	741,482	1,905,728	5,607,844
Trade and other receivables	31,571	273,566	136,016
Prepayments	46,134	69,774	212,413
TOTAL CURRENT ASSETS	819,187	2,249,068	5,956,273
NON-CURRENT ASSETS			
Property, plant and equipment	264,274	323,574	432,744
TOTAL NON-CURRENT ASSETS	264,274	323,574	432,744
TOTAL ASSETS	1,083,461	2,572,642	6,389,017
CURRENT LIABILITIES			
Trade and other payables	279,990	597,423	771,253
Provisions	56,910	73,278	83,561
Loans and borrowings	20,872,030	18,088,356	-
TOTAL CURRENT LIABILITIES	21,208,930	18,759,057	854,814
NON-CURRENT LIABILITIES			
Provisions	28,582	-	-
Loans and borrowings	-	-	8,823,690
TOTAL NON-CURRENT LIABILITIES	28,582	-	8,823,690
TOTAL LIABILITES	21,237,512	18,759,057	9,678,504
NET ASSETS/(LIABILITIES)	(20,154,051)	(16,186,415)	(3,289,487)
EQUITY			
Contributed equity	27,725,770	27,725,770	26,954,740
Compound financial instrument	3,745,184	3,745,184	2,762,722
Employee option plan reserve	974,663	974,663	687,114
Employee share plan reserve	400,000	400,000	(22, (24, 242)
Accumulated losses	(52,999,668)	(49,032,032)	(33,694,063)
TOTAL EQUITY/(NET DEFICIT)	(20,154,051)	(16,186,415)	(3,289,487)

Source: Reviewed Financial Statements for the half year ended 31 December 2013 and Audited Financial Statements for the years ended 30 June 2013 and 30 June 2012

We note that without qualifying their opinion, the Company's auditor has indicated the existence of material uncertainty that casts significant doubt about EMA's ability to continue as a going concern. The auditor expressed the Company's ability to continue as a going concern and to expand its exploration and development activities is contingent upon its ability to obtain financing.



We note the following in relation to the Company's historical statement of financial position:

- Cash and cash equivalents at 30 June 2012 was \$5.61 million and decreased to \$1.91 million at 30 June 2013 mainly as a result of payments to suppliers and employees of \$5.61 million and the payment for settlement of a legal dispute of \$3 million. These cash outlays were partially offset by proceeds of \$4 million from the issue of convertible notes and proceeds of approximately \$0.77 million from the issue of 15.82 million ordinary shares. The Company's cash balance at 31 December 2013 reduced to approximately \$0.74 million mainly as a result of payments to suppliers and employees of \$2.13 million, partially offset by proceeds from borrowings of \$0.95 million.
- The loans and borrowings relate to convertible notes issued by the Company. The notes were drawn down in October 2011 and again in November 2012. The terms and subsequent modification of these terms are detailed in Section 4 of our Report.
- The compound financial instrument equity balance of \$3.75 million at 31 December 2013 relate to the equity portion of the convertible notes discussed above.

5.5 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-13 \$	Audited for the year ended 30-Jun-13 \$	Audited for the year ended 30-Jun-12 \$
Revenue from continuing operations	15,127	68,474	325,701
Exploration expenditure	(1,430,356)	(2,817,829)	(3,113,287)
Corporate and administration expense	(843,971)	(2,885,175)	(3,065,643)
Finance expense	(1,708,436)	(6,074,849)	(1,646,630)
Settlement of legal dispute	-	(3,000,000)	-
Employee share based expense	<u>-</u>	(687,549)	(61,523)
Loss before income tax	(3,967,636)	(15,396,928)	(7,561,382)
Research and development claim	-	58,959	342,417
Loss attributable to members of the Company	(3,967,636)	(15,337,969)	(7,218,965)
Other comprehensive income, net of tax	-	-	-
Total comprehensive loss for the year	(3,967,636)	(15,337,969)	(7,218,965)

Source: Reviewed Financial Statements for the half year ended 31 December 2013 and Audited Financial Statements for the years ended 30 June 2013 and 30 June 2012

We note the following in relation to the Company's Statement of Comprehensive Income:

• EMA'S accounting policy is to not capitalise its exploration expenditure. As such, exploration expenditure incurred in the statement of comprehensive income was \$3.11 million in FY2012 and \$2.82 million in FY2013. Exploration expenditure of \$1.43 million for the half year ended 31 December 2013 is in line with expenditure over the previous two financial years.



- Finance expenses incurred related to interest charges from convertible loans. In FY2012 the finance charges were \$1.65 million and increased to \$6.07 million in FY2012 due to additional convertible notes being issued which also included amendment, waiver and establishment fees.
- The settlement of a legal dispute in FY2013 related to a settlement with Yarri Mining Pty Ltd ('Yarri Mining') of all outstanding legal matters which had been ongoing since 2006. Yarri Mining alleged that Narnoo Mining Pty Ltd, a company controlled by Michael Fewster did not comply with expenditure commitments for the year ended 27 February 2006, with the complaint lodged on 12 July 2006. In May 2009, Yarri Mining's claims were dismissed in the Supreme Court of Western Australia. The Company then lodged two mining lease applications over the Mulga Rock project, with Yarra Mining lodging objections to these applications on 20 May 2011. On 9 June 2011, Yarri Mining issued a plaint against Narnoo Mining Pty Ltd, a wholly-owned subsidiary of EMA, claiming that the previous owner of the tenements procured the grant of the tenements by reason of fraud. These allegations were denied at the proceedings, however on 16 July 2012, Yarri Mining and EMA reached a settlement of \$3 million, payable in two \$1.5 million tranches.

5.6 Capital Structure

The share structure of EMA as at 31 March 2014 is outlined below:

	Number
Total ordinary shares on issue	423,726,209
Top 20 shareholders	357,654,212
Top 20 shareholders - % of shares on issue	84.41%

Source: Share registry information

The range of shares held in EMA as at 31 March 2014 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	193	21,758	0.01%
1,001 - 5,000	317	1,041,669	0.25%
5,001 - 10,000	165	1,379,174	0.33%
10,001 - 100,000	533	18,552,486	4.38%
100,001 - and over	180	402,731,122	95.05%
TOTAL	1,388	423,726,209	100.00%

Source: Share registry information



The ordinary shares held by the top 5 shareholders as at 31 March 2014 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Sumico WA PL	254,160,538	59.98%
Young Michael C + J T	20,000,000	4.72%
National Nom Ltd	15,569,947	3.67%
Tapp Julian Robin Paul	10,000,000	2.36%
Greensilk Nom PL	10,000,000	2.36%
Top 5 Subtotal	309,730,485	73.10%
Others	113,995,724	26.90%
Total ordinary shares on Issue	423,726,209	100.00%

Source: Share registry information

The terms of the options on issue (including the Noteholder Options) at 31 March 2014 are set out in the table below:

	Number of Options	Exercise Price (\$)	Expiry Date
Class H	170,000	0.53	30-Sep-14
Class I	1,075,000	0.18	31-Jan-17
Class J	20,000,000	0.05	14-Jun-18
\$0.22	59,356,725	0.22	14-Oct-14
\$0.10	61,954,885	0.10	14-Oct-14
\$0.22	61,000,000	0.22	16-Dec-18
\$0.10	61,000,000	0.10	16-Dec-18
Total number of options	264,556,610		
Cash raised if options exercised	40,057,568		

Source: Appendix 3B dated 17 March 2014



The Noteholder Options at 31 March 2014 are set out in the table below:

Existing Options held by Noteholders	Number of Options	Exercise Price (\$)	Cash raised if exercised (\$)
Existing Options held by Macquarie	29,611,652	0.10	2,961,165
	30,075,188	0.10	3,007,519
	30,049,262	0.22	6,610,838
_	29,239,766	0.22	6,432,749
Macquarie subtotal	118,975,868		19,012,271
Existing Options held by Acorn	29,611,649	0.10	2,961,165
	30,075,186	0.10	3,007,519
	30,049,260	0.22	6,610,837
_	29,239,766	0.22	6,432,749
Acorn subtotal	118,975,861		19,012,270
Existing Options held by Element	1,776,699	0.10	177,670
	1,804,511	0.10	180,451
	901,478	0.22	198,325
	877,193	0.22	192,982
Element subtotal	5,359,881		749,428
Total	243,311,610		38,773,969

Source: Executed option agreements provided by EMA

6. Profile of FFI

FFI is a private investment holding company controlled by Mr Andrew Forrest.

Mr Forrest is a Western Australian mining investor with extensive experience in the mining sector.

He is the founder and Chairman of Fortescue Metals Group Limited ('FMG'), an ASX listed iron ore producer located in the Pilbara region of Western Australia. Prior to taking the role of FMG Chairman in August 2011, Mr Forrest served as the CEO and Managing Director. Mr Forrest is a significant shareholder of FMG.

Some of Mr Forrest's previous executive and non-executive roles include:

- Poseidon Nickel Limited Chairman and non-executive Director
- Minara Resources Limited Founding Chairman, CEO and Deputy Chairman
- Murrin Murrin Joint Venture Chairman
- Australian Export Finance & Insurance Corporation Director
- West Australian Chamber of Minerals and Energy Director
- Athletics Australia President

Mr Forrest is also well known for his philanthropic endeavours. He has founded and chaired a number of charities being the Australian Employment Covenant, Generation One, the Australian Children's Trust and



Walk Free. Most recently Mr Forrest launched the Global Freedom Network in a bid to end modern slavery. Mr Forrest serves as part of the executive board of the Global Freedom Network.

7. Profile of Macquarie

Macquarie is a global investment banking and diversified financial services group, providing banking, financial advisory and investment and funds management services to institutional, corporate and retail clients and counterparties around the world. Headquartered in Sydney, Macquarie is the largest investment bank and the top ranked mergers and acquisitions advisor in Australia.

8. Profile of Acorn

Acorn was founded in 1998 and is based in Melbourne, Australia. Acorn is a privately owned investment manager that is the largest specialist microcap investor in the Australian market. The firm primarily provides its services to high net worth individuals and institutional investors. For private and unlisted microcap investments, it invests in primary and secondary equity placements at all stages of development. Acorn conducts in-house research to create its investment portfolio.



9. Economic analysis

Growth in the global economy was a bit below trend in 2013, but there are reasonable prospects of a better outcome this year, helped by firmer conditions in the advanced countries. China's growth appears to have slowed a little in early 2014 but remains generally in line with policymakers' objectives. Commodity prices in historical terms remain high, though some of those important to Australia have softened further of late.

Financial conditions overall remain very accommodative. Long-term interest rates and most risk spreads remain low. Equity and credit markets are well placed to provide adequate funding.

In Australia, the economy grew at a below-trend pace in 2013. Recent information suggests moderate growth is occurring in consumer demand and foreshadows a strong expansion in housing construction. Some indicators of business conditions and confidence have improved from a year ago and exports are rising. But at the same time, resources sector investment spending is set to decline significantly and, at this stage, signs of improvement in investment intentions in other sectors are only tentative, as firms wait for more evidence of improved conditions before committing to expansion plans. Public spending is scheduled to be subdued.

The demand for labour has been weak over the past year and, as a result, the rate of unemployment has risen somewhat. More recently, there has been some improvement in indicators for the labour market, but it will probably be some time yet before unemployment declines consistently. Growth in wages has declined noticeably and this has been reflected more clearly in the latest price data, which show a moderation in growth in prices for non-traded goods and services. As a result, inflation is consistent with the target. If domestic costs remain contained, that should continue to be the case over the next one to two years, even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and savers continue to look for higher returns in response to low rates on safe instruments. Credit growth has picked up a little, while dwelling prices have increased significantly over the past year. The decline in the exchange rate from its highs a year ago will assist in achieving balanced growth in the economy, but less so than previously as a result of the rise over the past few months. The exchange rate remains high by historical standards.

Looking ahead, continued accommodative monetary policy should provide support to demand, and help growth to strengthen over time. Inflation is expected to be consistent with the 2-3 per cent target over the next two years.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 6 May 2014



10. Industry analysis

10.1 Overview

Uranium is extracted as uranium ore. As uranium deposits are relatively scarce, mining is concentrated in a few countries worldwide. The most common method of extraction is open pit mining due to the volume intense nature of extraction. This is attributable to uranium ore mostly occurring at relatively low concentrations. The state of the world's uranium market is almost wholly dependent on the global fortunes of the nuclear power generation industry. The Fukushima nuclear disaster, which occurred in March 2011, cast an ominous shadow over the industry and rekindled divisive opinions over the use of uranium as an energy source.

10.2 Prices

The uranium spot price as at 15 May 2014 was US\$28.50/lb U_3O_8 . The following table shows historical and forecast U_3O_8 weekly spot prices since January 2010:

Uranium spot price and forecast



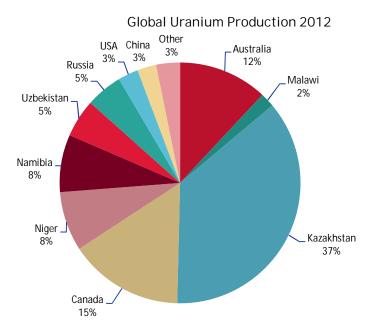
Source: Bloomberg (historical prices), Consensus Economics (Forecast)

Up until the Fukushima nuclear power plant crisis in March 2011, uranium prices were beginning to gain momentum after a steady decline from project delays caused by the global financial crisis and issues with over supply from production in Kazakhstan. The beginning of January 2011 had shown a significant spike in uranium prices as a result of expansion in Asia. Chinese demand is expected to keep uranium supply in a deficit and place upward pressure on prices in the long term. The long term price projections show a recovery to around US\$65.0/lb.

10.3 Uranium Production

Africa has considerable mineral deposits, including uranium and as it has become more developed will potentially become a leading producer of uranium. The leading producing countries of uranium in Africa are Namibia and Niger. Both Namibia and Niger began commercial uranium mining in the 1970s and have strong government support for expanding uranium mining operations. Collectively the mines in these countries account for approximately 16% of global uranium production in 2012. The chart below shows the world uranium production figures for 2012.





Source: World-nuclear.org (updated at July 2013)

Kazakhstan, Australia and Canada accounted for more than 63% of the world's uranium production in 2012.

10.4 Global Outlook

The Japanese nuclear power plant crisis at Fukushima in March 2011 has tarnished the general view of nuclear energy and as such prices have been slow to recover from a seven year low. With China, South Korea and India announcing expansion plans and Japan likely to restart its reactors, future growth in the uranium industry is likely to be heavily reliant on Asia. Nuclear power offers a viable long term source of energy over fossil fuels which are becoming scarcer. Although Kazakhstan, Canada and Australia have historically been the key producers of uranium, Africa has shown enormous potential as being the next uranium superpower with many international uranium miners such as Areva, ARMZ, Uranium One and Paladin establishing operations there.

The catalyst for a price recovery may be the closure of the Megatons to Megawatts programme in 2013. The Megatons to Megawatts program commenced in Russia in 1993 and was responsible for approximately 11% of the world's uranium supply. With this program ceasing, the supply of uranium is likely to decrease which may lead to an increase in the price of uranium and spur growth in the industry. Additional growth may arise as emerging economies look towards uranium as an alternative source of energy. Globally, there are currently 438 nuclear reactors operable and 71 under construction. This equates to nine more reactors under construction than in the period prior to the nuclear power plant crisis at Fukushima. In China, 21 reactors are currently in operation and the construction of 28 reactors continues. Japan is also planning to fast track the restart of some of its nuclear reactors, possible by the middle of 2014, which bodes well for the medium term uranium price outlook. Japan has 48 commercial reactors which have all been offline for safety inspections since Fukushima however the Japanese government has recently drafted policy recommending reactors meeting new safety standards be switched on.



11. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment such as a Resource Multiple

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

11.1 Valuation of an EMA share prior to the Transaction

In our assessment of the value of an EMA share prior to the Transaction we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary valuation methodology.

We have chosen these methodologies for the following reasons:

- Being an exploration and pre-development company, the core value of EMA is in the exploration assets it holds. We have instructed SRK Consulting Pty Ltd ('SRK') to act as independent specialist and to provide an independent market valuation of the Company's exploration assets in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 ('the Valmin Code'). SRK's full report may be found in Appendix 3. We have considered this in the context of EMA's other assets and liabilities on a NAV basis;
- EMA does not generate regular trading income. Therefore there are no historic profits that could
 be used to represent future earnings. This means that the FME valuation approach is not
 appropriate;
- EMA has no foreseeable future net cash inflows and therefore the application of the DCF valuation approach is not appropriate. Under RG111, it is considered that it is only appropriate to use a DCF where Reserves are present. EMA is yet to delineate Reserves.
- The QMP basis is a relevant methodology to consider because EMA shares are listed on the ASX. This means there is a regulated and observable market where EMA shares can be traded. However, in order for QMP to be considered appropriate, the Company's shares should be liquid and the market should be fully informed of the Company's activities. We have considered these factors in section 12.2 of our Report.



11.2 Valuation of an EMA share following the Transaction

We have assessed the value of an EMA share following the Transaction using the NAV of EMA prior to the Transaction plus adjustments to equity, cash as well as to loans and borrowings held.

We have valued an EMA share under the following two scenarios:

- Assuming that the Placement Shares are issued and the Notes are converted but the Placement Options are not exercised ('undiluted basis'); and
- Assuming the Placement Shares are issued, the Notes converted and the Placement Options are exercised ('diluted basis').

On an undiluted basis, the number of shares on issue following the Transaction will increase as a result of the Share Placement and Notes Conversion.

On a diluted basis, the number of shares on issue following the Transaction will increase as a result of the Share Placement, the Notes Conversion and the exercise of the Placement Options.

A minority discount is applied to the net asset value per share to arrive at the value of an EMA share following the Transaction on a minority interest basis.



12. Valuation of EMA prior to the Transaction

12.1 Net Asset Valuation of EMA

The value of EMA's assets on a going concern basis is reflected in our valuation below:

		Reviewed as at			
NAV prior to the Transaction	Notes	31-Dec-13	Low	Preferred	High
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	а	741,482	1,966,618	1,966,618	1,966,618
Trade and other receivables		31,571	31,571	31,571	31,571
Prepayments		46,134	46,134	46,134	46,134
TOTAL CURRENT ASSETS		819,187	2,044,323	2,044,323	2,044,323
NON-CURRENT ASSETS					
Property, plant and equipment		264,274	264,274	264,274	264,274
Exploration and evaluation assets	b		18,200,000	28,100,000	37,800,000
TOTAL NON-CURRENT ASSETS		264,274	18,464,274	28,364,274	38,064,274
TOTAL ASSETS		1,083,461	20,508,597	30,408,597	40,108,597
CURRENT LIABILITIES					
Trade and other payables		279,990	279,990	279,990	279,990
Provisions		56,910	56,910	56,910	56,910
Loans and borrowings	С	20,872,030	24,082,030	24,082,030	24,082,030
TOTAL CURRENT LIABILITIES		21,208,930	24,418,930	24,418,930	24,418,930
NON-CURRENT LIABILITIES					
Provisions		28,582	28,582	28,582	28,582
TOTAL NON-CURRENT LIABILITIES		28,582	28,582	28,582	28,582
TOTAL LIABILITES		21,237,512	24,447,512	24,447,512	24,447,512
NET ASSETS/(LIABILITES)		(20,154,051)	(3,938,915)	5,961,085	15,661,085
Number of shares on issue			423,726,209	423,726,209	423,726,209
Value per share (\$)			\$(0.009)	\$0.014	\$0.037

Source: BDO analysis



We have been advised that there has not been a significant change in the net assets of EMA since 31 December 2013 other than the adjustments set out below. The table above indicates the net asset value of an EMA share is between nil and \$0.037 with a preferred value of \$0.014.

The following adjustments were made to the net assets of EMA as at 31 December 2013 in arriving at our valuation.

Adjustment a) Cash and cash equivalents

We have increased cash to \$1,966,618 to reflect the Company's cash balance as at 31 March 2014. The increase in cash since 31 December 2013 was mainly a result of proceeds from the issue of promissory notes of \$2.65 million in January 2014. This was partially offset by exploration expenditure and the payment of corporate costs.

Adjustment b) Valuation of EMA's mineral assets

We instructed SRK to provide an independent market valuation of the exploration assets held by EMA. SRK considered a number of different valuation methods when valuing the exploration assets of EMA. SRK applied the MEE method and the comparable transaction method. The MEE method is discussed in Appendix 2. The comparable transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a tenement. We consider these methods to be appropriate given the pre feasibility stage of development for EMA's exploration assets.

The range of values for EMA's exploration assets as calculated by SRK is set out below:

	Low Value	Preferred Value	High Value
Mineral Asset	\$m	\$m	\$m
Mulga Rock- Pre-development	17.8	27.4	37.0
Mulga Rock- Exploration	0.3	0.4	0.5
Gunbarrel- Exploration	0.1	0.3	0.3
Total	18.2	28.1	37.8

Source: Independent Valuation Report prepared by SRK (Appendix 3)

The table above indicates a range of values between \$18.2 million and \$37.8 million, with a preferred value of \$28.1 million.

Adjustment c) Loans and borrowings

We have increased loans and borrowings to \$24.08 million to reflect the \$2.65 million of promissory notes issued by the Company in January 2014 and \$0.56 million of interest incurred on these promissory notes.

We note the loans and borrowings amount above includes the capitalised amendment, waiver and extension fees of \$1.2 million payable to the Noteholders.



12.2 Quoted Market Prices for EMA Securities

To provide a comparison to the valuation of an EMA share in Section 12.1, we have also assessed the quoted market price for an EMA share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst FFI and the Noteholders will not be obtaining 100% of EMA, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 15.

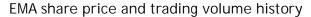
Therefore, our calculation of the quoted market price of an EMA share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

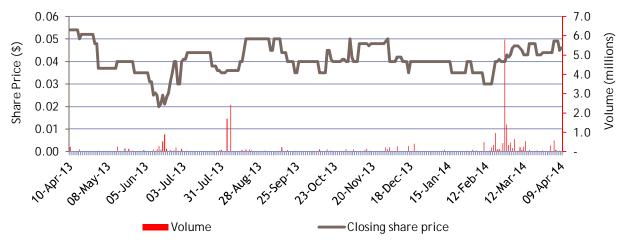
Minority interest value

Our analysis of the quoted market price of an EMA share is based on the pricing prior to the announcement of the Transaction. This is because the value of an EMA share after the announcement may include the effects of any change in value as a result of the Transaction. However, we have considered the value of an EMA share following the announcement when we have considered reasonableness in Section 15.

Information on the Transaction was announced to the market on 5 May 2014. However, we have conducted our analysis of the trading in EMA's shares prior to the trading halt and suspension imposed on the Company's shares pending the announcement of the Transaction. The following chart provides a summary of the share price movements over the 12 months to 9 April 2014, which was the last trading day prior to the trading halt and suspensions pending the announcement of the Transaction.







Source: Bloomberg

The daily price of EMA shares from 9 April 2013 to 9 April 2014 has ranged from a low of \$0.02 on 14 June 2013 to a high of \$0.054 on 16 April 2013. The EMA share price recovered from the lows of June 2013 to reach \$0.05 in August 2013. The next five months had minimal market trades with a share price that ranged between \$0.035 and \$0.05. The month of February 2014 accounted for approximately 40% of the total trading volume over the past twelve months, with a key management restructure helping to account for the increased trading.

During this period a number of announcements were made to the market. The key announcements are set out below:



Announcement Price Follow Announcement Announcem		, unioditionne.		Announcement Price Following After Announcement Announce			Three After uncer	e Days ment
Extension of Repayment Date for Promissory Notes	0.044)verne	0%	0.044	•	0%		
Commencement of Drilling	0.043	•	0%	0.048	•	12%		
· ·	0 030		Ο%		•	17%		
Quarterly Cashflow Report	0.040	•	0%	0.035	•	13%		
Quarterly Activities Report	0.040	•	0%	0.035	•	13%		
EMA Completes Funding of \$2.65 Million	0.035	•	0%	0.040	•	14%		
Funding Discussions Continue	0.040	•	0%	0.040	•	0%		
Discussion with Noteholders Continues	0.040	•	0%	0.040	•	0%		
Reinstatement to Official Quotation	0.048	•	0%	0.050	•	4%		
Company Progressing Discussions with its Noteholders	0.048	•	0%	0.050	•	4%		
/oluntary Suspension	0.048	•	0%	0.048	•	0%		
Frading Halt	0.048	•	0%	0.048	•	0%		
Quarterly Cashflow Report	0.040	•	2%	0.042	•	5%		
Quarterly Activities Report	0.040	•	2%	0.042	•	5%		
Discussions with Noteholders	0.040	•	0%	0.040	•	0%		
Permitting Process Commences - Mulga Rock	0.040	•	0%	0.050	•	25%		
Metallurgical Update Mulga Rock	0.040	•	11%	0.050	•	25%		
Quarterly Cashflow Report	0.035	•	3%	0.036	•	3%		
Quarterly Activities Report	0.035	•	3%	0.036	•	3%		
	Extension of Repayment Date for Promissory Notes Commencement of Drilling Mike Young Appointed Managing Director and CEO Quarterly Cashflow Report Quarterly Activities Report MA Completes Funding of \$2.65 Million Funding Discussions Continue Discussion with Noteholders Continues Reinstatement to Official Quotation Company Progressing Discussions with its Noteholders Voluntary Suspension Frading Halt Quarterly Cashflow Report Discussions with Noteholders Permitting Process Commences - Mulga Rock Metallurgical Update Mulga Rock Quarterly Cashflow Report	Announcement \$ (monotone) \$ (monotone) \$ (monotone) Extension of Repayment Date for Promissory Notes	Announcement \$ (movement) \$	Announcement S (movement) S	Announcement Price Föllowing Announcement Announcement	Announcement Price Following Announcement After Announcement		

On 14 August 2013 EMA announced a positive metallurgical update which included leach test works which supported 90% recovery. The share price increased 11% on the day of the announcement.

On 15 August 2013 EMA announced that the Environmental Protection Authority ('EPA') had accepted its submission for the Mulga Rock Project. The market reacted positively to this news with the share price increasing by 25% in the three days following the announcement.

On 21 January 2014 EMA secured additional funding of \$2.65 million to continue development of the Mulga Rock Project. The share price increased 14% in the three days following the announcement.



On 13 February 2014 Mike Young was announced as the new Managing Director and Chief Executive Officer ('CEO') of EMA. Mike Young's appointment allowed the move of previous CEO Julian Tapp into the role of Chief Operating Officer ('COO'), with the aim of continuing to manage the approvals process, feasibility assessment and development of the Mulga Rock Project. The share price remained unchanged on the day of the announcement but increased 17% in the three days following.

On 13 March 2014 EMA advised the market that a new drilling programme was underway on the Mulga Rock Project. The increased drilling has the intent of improving geological confidence and resource classification of the Princess Deposit. In the three days following the announcement the share price increased by 12%.

To provide further analysis of the market prices for an EMA share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 9 April 2014.

Share Price per unit	9-Apr-14	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.046				
Volume weighted average price (VWAP) Source: Bloomberg, BDO analysis		\$0.048	\$0.046	\$0.042	\$0.042

The above weighted average prices are prior to the date of the trading halt imposed on the Company's shares pending the announcement of the Transaction, to avoid the influence of any increase in price of EMA shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in EMA shares for the twelve months to 9 April 2014 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital	As a % of free float
1 Day	\$0.046	\$0.046	200,000	0.05%	0.12%
10 Days	\$0.044	\$0.050	1,249,137	0.29%	0.75%
30 Days	\$0.040	\$0.050	5,665,163	1.34%	3.38%
60 Days	\$0.025	\$0.050	14,453,824	3.41%	8.63%
90 Days	\$0.025	\$0.050	15,647,368	3.69%	9.34%
180 Days	\$0.025	\$0.050	22,282,932	5.26%	13.30%
1 Year	\$0.020	\$0.054	26,560,349	6.27%	15.85%

Source: Bloomberg, BDO analysis

This table indicates that EMA's shares display a low level of liquidity, with 6.27% of the Company's total current issued capital being traded in a twelve month period. As outlined in section 4, prior to the Transaction Fewster and Associates hold 60.45% of the Company's issued capital. A shareholder with such a significant holding is unlikely to trade its shares freely on the market. In assessing the liquidity of the Company's shares we have therefore also considered the volume of shares traded as a percentage of the free float shares, being the shares owned by shareholders other than Fewster and Associates.

Our analysis indicates that approximately 15.85% of the free float shares have been traded over the year to 9 April 2014. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

• Regular trading in a company's securities;



- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of EMA, we do not consider the market to be deep. EMA only traded 6.18% of its total shares on issue and 15.85% of the free float shares over the last twelve months with 5.8 million (22% of the total volume traded) shares traded on 26 February 2014. There were also large fluctuations in the volume of securities traded with numerous days having no trades.

Our assessment is that a range of values for an EMA share based on market pricing, after disregarding post announcement pricing, is between \$0.042 and \$0.048.

Control Premium

RG 111.25 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of Section 611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst FFI and the Noteholders will not be obtaining 100% of the Company, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.27 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. This has been included in section 15.



We have reviewed the control premiums paid by acquirers of mining companies listed on the ASX since 2006. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2013	13	56.43	55.41
2012	19	135.78	42.67
2011	20	634.68	31.40
2010	23	755.97	45.04
2009	29	86.80	39.23
2008	8	553.76	38.87
2007	25	541.21	28.20
2006	20	70.15	31.11
	Median	338.49	39.05
	Mean	354.35	38.99

Source: Bloomberg and BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates that there has been an increasing trend of control premia paid by acquirers of mining companies since 2006. Based on the analysis above we believe that an appropriate control premium is between 20% and 40%. In the case of EMA, we believe an appropriate control premium would be lower than the long term average of approximately 39%. In determining the appropriate control premium to be paid by the Noteholders and FFI we have taken into account the Company's going concern issues as highlighted in the review report for the half year ended 31 December 2013 and the currently depressed uranium market.

EMA has explored a number of alternative funding sources, as discussed further in section 15, which are very limited as a result of the low uranium price and the current state of equity capital markets.

Given that following the Transaction on an undiluted basis, Macquarie, Acorn and FFI's holding will all exceed 20%, resulting in control being shared between three parties. In a situation of shared control the parties obtaining control would be less willing to pay a premium as each controlling parties' influence is lower than if they were the sole shareholder with an interest exceeding 20%. This provides further support for applying a lower control premium than the average historical control premium paid by mining companies listed on the ASX.



On a diluted basis (assuming only FFI exercise their options), FFI is the sole party gaining control, therefore the high end of our range is appropriate to reflect the premium likely to be paid by one individual party acquiring an interest of greater than 20% in the Company.

We note that on a fully diluted basis, assuming all options held by FFI, Acorn and Macquarie are exercised, each party will have joint control with each of their interests being 38.58%, 21.81% and 20.26% respectively.

With regard to the control premium analysis above, we consider an appropriate control premium to be applied to EMA's shares is 20% to 30%.

Quoted market price including control premium

Applying a control premium to EMA's quoted market share price results in the following quoted market price value including a premium for control:

	Low \$	Midpoint \$	High \$
Quoted market price value	0.042	0.045	0.048
Control premium	20%	25%	30%
Quoted market price valuation including a premium for control	0.050	0.056	0.062

Source: BDO analysis

Therefore, our valuation of an EMA share based on the quoted market price method and including a premium for control is between \$0.050 and \$0.062, with a midpoint value of \$0.056.

12.3 Assessment of EMA Value prior to the Transaction

The results of the valuations performed are summarised in the table below:

	Low \$	Preferred \$	High \$
Net assets value (Section 12.1)	0.000	0.014	0.037
ASX market prices (Section 12.2)	0.050	0.056	0.062

Source: BDO analysis

We consider the net asset value to be the most appropriate methodology, given that the core value of the Company is in the exploration assets it holds. We have instructed an independent specialist to value the Company's exploration assets, which we have included in our net asset value.

We have relied on our NAV methodology as we do not consider there to be a deep market for the Company's shares with only 15.85% of the Company's free float shares being traded in the twelve months prior to the Transaction. Therefore, we have relied on the QMP methodology as a cross check to our net asset value.



The difference between the values obtained under the two approaches can be explained by the following:

- The majority of the value of EMA using the NAV approach is derived from the market value of EMA's exploration asset, which was assessed by SRK, which has provided a substantial uplift from its book value position;
- the market may have differing expectations on the timing and extent of the recovery of the uranium price.
- the QMP value reflects investors' perception of the future prospects of EMA, including the potential opportunity of returns and risks from the development of the Company's projects.
- The QMP value is based on a very low level of trading (15.85%) in the last twelve months, which means that small trades can have a significant impact on the price. Therefore, the share price provides a less reliable indicator of value for market size parcels of shares.

Given that EMA is an exploration company, part of its value lies in the future potential of its Mulga Rock project. The NAV methodology may understate the value of an EMA share as it may not fully capture the market's perception of the Company's potential.

Based on the results above we consider the value of an EMA share prior to the Transaction to be between nil and \$0.037, with a preferred value of \$0.014.

13. Valuation of EMA following the Transaction

13.1 Assessing non-cash consideration in control transactions

When assessing non-cash consideration in control transactions, RG 111.31 suggests that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- (a) the acquirer is obtaining or increasing control of the target; and
- (b) the security holders in the target will be receiving scrip constituting minority interests in the combined entity.

RG 111.32 suggests that if we use the quoted market price of securities to value the offered consideration, then we must consider and comment on:

- (a) the depth of the market for those securities;
- (b) the volatility of the market price; and
- (c) whether or not the market value is likely to represent the value if the takeover bid is successful.

Under RG 111.34 it is noted that if, in a scrip bid, the target is likely to become a controlled entity of the bidder, the bidder's securities can also be valued using a notionally combined entity. However, it should still be noted that the accepting holders are likely to hold minority interests in that combined entity. Therefore we have assessed the value of an EMA share on a minority interest basis.

The value of an EMA share following the Transaction on an undiluted basis is set out below:



NAV following the Transaction (undiluted basis)		Low value	Preferred value	High value
		\$	\$	\$
Net Assets of EMA prior to the Transaction		(3,938,915)	5,961,085	15,661,085
Cash and cash equivalents	а	12,000,000	12,000,000	12,000,000
Loans and borrowings	b	24,082,030	24,082,030	24,082,030
Net Assets of EMA following the Transaction		32,143,115	42,043,115	51,743,115
Discount for minority interest	С	23%	20%	17%
Net Assets of EMA following the Transaction (minority	1			
interest basis)		24,750,199	33,634,492	42,946,785
Shares on issue	d	1,437,467,418	1,437,467,418	1,437,467,418
Value per share (\$) (undiluted basis)		0.017	0.023	0.030

In order to assess the NAV of an EMA share following the Transaction on a minority interest basis we have made the following adjustments to the net assets of EMA prior to the Transaction.

Note a) Cash and cash equivalents

We have increased cash and cash equivalents by \$12 million representing the consideration for the 400 million Placement Shares issued to FFI at \$0.03 per share.

Note b) Loans and borrowings

We have eliminated the loans and borrowings from the Company's net asset value as a result of the Notes Conversion.

We note that the royalty payable of up to \$12 million was included as a contingent liability in the Reviewed Financial Statements of EMA for the half year ended 31 December 2013, as such it does not appear on the face of the balance sheet and therefore is not eliminated in the post Transaction valuation.

Note c) Discount for minority interest

The net asset value of an EMA share following the Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Transaction is approved Shareholders may become minority interest shareholders in EMA as FFI will hold a controlling interest, meaning that their individual holding will not be considered significant enough to have an individual influence in the operations and value of the Company.

Therefore, we have adjusted our valuation of an EMA share following the Transaction, to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula 1 - (1/1+control premium). As discussed in Section 12.2, we consider an appropriate control premium for EMA to be in the range of 20% to 30%, giving rise to a minority interest discount in the range of 17% to 23%.



Note d) Shares on issue

Our adjustment to the number of shares on issue is set out in the table below.

Shares on issue following the Transaction (undiluted basis)	
Number of shares on issue prior to the Transaction	423,726,209
Shares issued pursuant to conversion of Convertible Notes	514,076,978
Shares issued pursuant to conversion of Promissory Notes	99,664,231
Shares issued pursuant to Placement	400,000,000
Number of shares on issue following the Transaction (undiluted basis)	1,437,467,418

The value of an EMA share following the Transaction on a diluted basis is set out below:

NAV following the Transaction (diluted basis)	Notes	Low value \$	Preferred value \$	High value \$
Net Assets of EMA following the Transaction on a controlling				
interest basis (undiluted)		32,143,115	42,043,115	51,743,115
Cash raised from exercise of Placement Options	а	20,000,000	20,000,000	20,000,000
Net Assets of EMA following the Transaction on a controlling				
interest basis (diluted)		52,143,115	62,043,115	71,743,115
Discount for minority interest		23%	20%	17%
Net Assets of EMA following the Transaction on a minority				
interest basis (diluted)		40,150,199	49,634,492	59,546,785
Number of shares on issue (diluted)	b	1,837,467,418	1,837,467,418	1,837,467,418
Value per share (\$) (diluted basis)		0.022	0.027	0.032

We have made the following adjustments in assessing the value of an EMA share on a diluted basis.

Note a) Cash raised from exercise of Placement Options

The 400 million Placement Options are exercisable at \$0.05 per share. As such, if FFI elected to exercise its Placement Options, the Company's cash would increase by \$20 million.

Note b) Number of shares on issue

If the Placement Options are exercised the Company will issue an additional 400 million shares to FFI, therefore we have adjusted the shares on issue accordingly.

We note that we have assumed that only the FFI Options will be exercised as they form part of the Transaction. The other options on issue, including the Noteholder Options are out of the money, therefore any exercise of these options will increase the value of an EMA share. This is discussed further in section 14 as part of our fairness assessment.



14. Is the Transaction fair?

We have compared the value of an EMA share prior to the Transaction on a controlling interest basis with the value of an EMA share following the Transaction on a minority interest basis on both an undiluted basis and diluted basis as detailed below:

	Ref	Low \$	Preferred \$	High \$
Value of an EMA share prior to the Transaction on a controlling interest basis	10.3	0.000	0.014	0.037
Value of an EMA share following the Transaction on a minority interest basis (undiluted)	11.1	0.017	0.023	0.030
Value of an EMA share following the Transaction on a minority interest basis (diluted)	11.1	0.022	0.027	0.032

We note from the table above that the preferred value of an EMA share prior to the Transaction on a controlling interest basis is less than the value of an EMA share following the Transaction on a minority interest basis whether diluted or undiluted. Therefore, we consider that the Transaction is fair for Shareholders.

As outlined in section 5.6, the Company has approximately 264.56 million options on issue prior to the Transaction exercisable at varying prices between \$0.05 and \$0.53. These options are held by the Noteholders and employees of the Company. In assessing the value of an EMA share following the Transaction on a diluted basis, we have not diluted for the exercise of the Noteholder Options and other options on issue as these options remain out of the money based on our assessed value of an EMA share following the Transaction. Given the exercise prices of the Noteholder Options and other options are greater than our assessed value of an EMA share following the Transaction, the cash raised from the exercise of these options will increase the NAV of the Company which will more than offset the dilution of existing Shareholders' interests. Therefore, in the event these options are exercised, the value of an EMA share following the Transaction will increase. This means that any exercise of the options previously on issue will not change our fairness opinion.

15. Is the Transaction reasonable?

15.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of EMA a premium over the value ascribed to, resulting from the Transaction.

15.2 Practical Level of Control

If the Transaction is approved, FFI, Acorn and Macquarie will each hold an interest in EMA of greater than 20%, therefore we have separately considered the practical level of control for each of these parties.



When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution requires 75% of shares on issue to be voted in favour to approve a matter.

If the Transaction is approved, FFI, Acorn and Macquarie are entitled to appoint one director to the Board of EMA. We have assessed FFI's, Acorn's and Macquarie's potential representation on the Board of EMA assuming that each party elects to appoint a director to the Board. This will take EMA's Board to seven directors, therefore each of FFI, Acorn and Macquarie's nominated directors will represent approximately 14% of the Board of EMA.

FFI

If the Transaction is approved, the maximum interest that FFI can hold in EMA is 43.54%. On an undiluted basis, FFI will hold an interest of 27.83% in EMA. In addition to this, FFI is entitled to appoint a member to the Board of EMA.

If the Transaction is approved then on both an undiluted basis and a diluted basis FFI will be able to block and pass special resolutions.

Given FFI's shareholding following the Transaction and its potential representation on the Board of EMA, FFI's influence will be significant when compared to all other shareholders.

Acorn

If the Transaction is approved, the maximum interest that Acorn can hold in EMA is 29.01%. On an undiluted basis, Acorn will hold an interest of 23.13% in EMA. In addition to this, Acorn is entitled to appoint a member to the Board of EMA.

If the Transaction is approved then on an undiluted basis Acorn will not be able to block or pass general or special resolutions, however in the event that only Acorn exercises their options then Acorn will be able to block special resolutions.

Macquarie

If the Transaction is approved, the maximum interest that Macquarie can hold in EMA is 27.05%. On an undiluted basis, Macquarie will hold an interest of 21.02% in EMA. In addition to this, Macquarie is entitled to appoint a member to the Board of EMA.

If the Transaction is approved then on an undiluted basis Macquarie will not be able to block or pass general or special resolutions, however in the event that only Macquarie exercises their options then Macquarie will be able to block special resolutions.



15.3 Advantages of Approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

Advantage	Description
The Transaction is fair	As outlined in Section 14, the Transaction is fair. RG111 states that an offer is reasonable if it is fair.
The Company's continuation as a going concern	The most recent financial statements of EMA were issued with an emphasis of matter by the Company's auditor regarding its ability to continue to operate as a going concern. As at 31 December 2013, the Company had a net asset deficiency of \$20.15 million, therefore its auditor noted that the Company's ability to continue as a going concern and to expand its exploration and development activities is dependent on its ability to source financing. As outlined in section 4, the Company has continued to renegotiate the terms of the Notes with the Noteholders. We do not consider this to be a sustainable source of financing as it would be unlikely that these extensions would continue without the Transaction being approved. The Transaction, through the conversion of the Convertible Notes and the proposed issue of the Placement Shares will provide the Company with the funding required to continue to operate as a
	going concern.
Lack of viable alternatives to repay the convertible notes	If the Transaction is not approved, the Company will need to obtain alternative funding. The alternatives available to EMA and our assessment of the likelihood of success of these alternatives are set out below. Refer to section 15.5 "Consequences of not Approving the Transaction" for additional detail.
	Debt Funding
	 Typically junior exploration companies do not generate operating cash flows and therefore find it difficult to attract senior debt funding.
	• The Company may potentially be able to raise debt funding in the form of convertible securities. However, the terms of the convertible instruments are likely to be much more favourable to the holder (and therefore detrimental to the Company) than the current tranche of Notes. As outlined in Section 4, the Company has continued to re-negotiate the maturity date with the Noteholders, with the current maturity date being 31 July 2014.
	Equity Funding
	Given the current state of equity capital markets, EMA may



find it difficult to raise the required level of equity to repay the convertible notes and further advance its Mulga Rock Project. The very low level of liquidity of trading in EMA shares, suggests that the Company may find it difficult to attract enough interest from the market to raise the required level of funding. If the Company does raise the required level of funding from the market, it is likely to be at a significant discount to the current market price. This means that it is likely to result in a decrease in the Company's share price. If the Company raises capital from the market, then the interest of existing shareholders (if they do not participate) will be diluted. Strengthening of the Company's balance sheet The Transaction will provide a capital inflow. An increase in cash from the proposed placement, combined with a reduction in debt from the conversion of the convertible notes will strengthen the Company's balance sheet. This may improve the Company's ability to attract additional funding and potentially may increase the liquidity of the Company's shares. The presence of a large strategic investor The Transaction may strengthen the relationship with FFI, a company controlled by Mr Andrew Forrest. This relationship may benefit the Company through the potential access to future funding from FFI. Also, given Mr Forrest's reputation and experience in the mining industry, his strategic investment in EMA may attract interest from the market, potentially increasing liquidity and future funding opportunities. The Company will be well placed to capitalise As outlined in section 10, the uranium price at 15 May 2014 was on the forecast increase in uranium prices. US\$28.50/lb U₃O₈, with analysts predicting the long term uranium price to be approximately US\$65.0/lb U₃O₈. The Notes Conversion will allow the Company to continue as a going concern, with the issue of the Placement Shares and potentially the exercise of the Placement Options providing the Company with the cash required to continue to develop its Mulga Rock Project. This will place the Company in a better position to capitalise on the forecast increase in uranium prices. The Company will not be required to pay the If the Transactions are approved, the Noteholders forego their royalty of up to \$12 million, currently classified entitlement to receive a royalty of 1.5% (up to \$12 million) of the as a contingent liability Company's sale proceeds. Pursuant to the Royalty Agreements, if the Noteholders elect to redeem the Convertible Notes, EMA is required to pay \$12 million for the Noteholders to surrender this



right to a potential royalty. Therefore, if the Transaction is approved, the Company will not be required to repay this contingent liability of \$12 million. This has not been factored into our fairness assessment in section 14 because it has been classified as a contingent liability, therefore it does not appear on the face of the balance sheet and is therefore excluded from our value of an EMA share prior to the Transaction.

15.4 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing Shareholders' interests	If the Transaction is approved, existing shareholders' interests, including Fewster and Associates and other non-associated Shareholders will be diluted from 92.83% to 21.93% on a diluted basis. Following the Transaction Fewster and Associates, a related party, will go from holding 60.45% of EMA's issued capital to 13.94% of the issued capital, whilst other non-associated Shareholders will be diluted from 32.37% of the issued capital to 7.99% on a diluted basis. If the Transaction is approved and all Noteholder Options are exercised, Fewster and Associates will be diluted from holding 60.45% of the Company's issued capital to holding 12.31%, while other non-associated Shareholders' interests will be diluted from 32.37% to 7.31%.

15.5 Consequences of not Approving the Transaction

15.5.1 Availability of alternative funding

If the Noteholders elect to redeem at maturity rather than convert, the Company will be required to repay approximately \$36.5 million. This includes the \$12 million payable to the Noteholders under the Royalty Agreements. As at 31 March 2014 the Company had approximately \$2.04 million in cash, leaving a shortfall, before considering ongoing funding requirements of \$34.46 million. If the Transaction is not approved the Company will also need to retain part of its cash balance to further develop its Mulga Rock Project. We consider the two alternatives available to EMA are to secure debt funding or to undertake an equity capital raising. These two alternatives are detailed below.

Debt funding

Given the material uncertainty regarding the Company's ability to continue as a going concern as highlighted in the Review Report for the half year ended 31 December 2013 (refer section 5.4), we consider it unlikely that the Company will be able to secure debt funding. Typically senior debt is not available to exploration companies due to their lack of operating revenues. The above factors suggest that



EMA is likely to find it difficult to secure senior debt funding. This means the only potential form of debt funding that may be available to EMA is through the issue of another convertible debt facility.

If the Company issued a convertible note, the terms are likely to be considerably more favourable to the holder than that of the convertible notes currently on issue. The terms may be more favourable to the holder in terms of the debt component (through the charging of a higher interest rate) or the conversion feature (through a lower conversion price). If the conversion price is lower, and the convertible bonds are converted, it is likely to be more dilutive to existing Shareholders' interests. If the terms are more favourable to the holder through a higher interest rate then the servicing of the convertible debt will result in a reduction in the value of existing Shareholders' interests.

Equity funding

Given the current low uranium price and the state of equity capital markets, EMA may find it difficult to raise the \$34.46 million outlined above in the form of equity. We have considered various aspects of a potential capital raising including:

- Appetite of the market for EMA shares;
- Ability of the Company to raise capital from the market; and
- Impact on existing shareholders' interests.

Appetite of the market for EMA shares

In assessing the ability of the Company to raise funds from the market we have considered the liquidity of trading in EMA shares. As outlined in section 12.2, the Company's shares display a low level of liquidity with only 6.27% of its total shares on issue being traded and 15.85% of the free float shares traded in the twelve months prior to the announcement of the Transaction. This provides support to the view that the Company is likely to find it difficult to raise funds from the market.

Ability of the Company to raise equity capital from the market

If the Transaction is not approved and the Noteholders redeem the Notes, EMA will need to raise approximately 177% of the Company's pre-announcement market capitalisation to settle these liabilities.

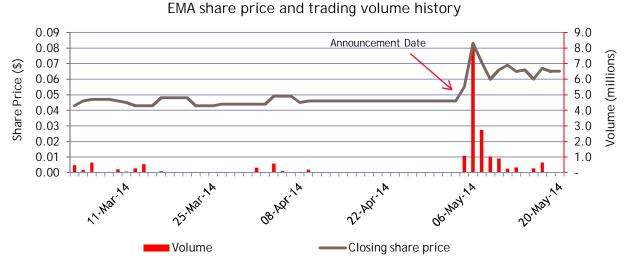
The Company has previously been unsuccessful in its attempt to raise capital from the both domestic and international institutional investors, with its most recent successful equity raising occurring in February 2013, when EMA raised \$771,030 net of issue costs. Given EMA's inability to obtain equity funding over the past year we consider it unlikely that the Company will be able to secure equity funding to settle these liabilities.

In the event the Company was to be successful in raising the required funding from equity markets, it is likely that it would be at a significant discount to the current market price. This would therefore reduce the value of existing Shareholders' interests and dilute their interests assuming they do not participate in the raising.



15.5.2 Potential decline in share price

We have analysed movements in EMA's share price since the Transaction was announced. A graph of EMA's share price since the announcement is set out below.



Source: Bloomberg

The Company's shares were placed into a trading halt on 10 April 2014, pending the announcement of the Transaction which took place on 5 May 2014. On the day of the trading halt the Company's share price closed at \$0.055, a 19.6% increase from the previous day's closing price of \$0.046. The share price peaked at \$0.095 on 6 May 2014 and closed at \$0.083 that day. As at 20 May 2014 the closing share price of EMA was \$0.065.

Given the above analysis it is possible that if the Transaction is not approved then EMA's share price is likely to decline back to, or potentially below, the price prior to the trading halt.

16. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to the Shareholders of EMA.



17. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of EMA for the years ended 30 June 2012 and 30 June 2013;
- Reviewed financial statements of EMA for the half year ended 31 December 2013.
- Unaudited management accounts of EMA for the three months ended 31 March 2014;
- Independent Valuation Report of EMA's mineral assets dated 21 May 2014 prepared by SRK;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of EMA.

18. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$30,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Energy and Minerals Limited in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Energy and Minerals Limited, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Energy and Minerals Limited and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Energy and Minerals Limited and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Energy and Minerals Limited, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Energy and Minerals Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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19. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 16 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Disclaimers and consents

This report has been prepared at the request of Energy and Minerals Limited for inclusion in the Notice of Meeting which will be sent to all Energy and Minerals Limited Shareholders. Energy and Minerals Limited engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed placement and conversion of convertible notes which will increase the shareholding of more than one party in Energy and Minerals Limited to greater than 20%.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, 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, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the



Transaction. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Energy and Minerals Limited, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Energy and Minerals Limited.

The valuer engaged for the mineral asset valuation, SRK Consulting Pty Ltd, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes

Director

Adam Myers

Alm Algen

Director



Appendix 1 - Glossary of Terms

Reference	Definition
The Act	Corporations Act 2001 (Cth)
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
CEO	Chief Executive Officer
The Company	Energy and Minerals Australia Limited
C00	Chief Operating Officer
DCF	Discounted Future Cash Flows
Eaglefield	Eaglefield Holdings Pty Ltd
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Element	Element Resources Fund
EMA	Energy and Minerals Australia Limited
EPA	Environmental Protection Authority
FME	Future Maintainable Earnings
FMG	Fortescue Metals Group Limited
Diluted basis	Assuming the Placement Shares are issued, the Notes converted and the Placement Options are exercised
FSG	Financial Services Guide
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves



NAV	Net Asset Value
Noteholders	Acorn Capital Limited, Macquarie Bank Limited and Element Resources Fund
Noteholder Options	Options held by the Noteholders, prior to the Transaction. These options are exercisable at \$0.10 and \$0.22 on or before 16 December 2018
Notes Conversion	The conversion of the convertible notes and promissory notes currently in place, at a price of \$0.038 per share
Our Report	This Independent Expert's Report prepared by BDO
Placement Shares	400 million fully paid ordinary shares in EMA, issued to FFI
Placement Options	400 million options in EMA, issued to FFI, exercisable at \$0.05 on or before 30 June 2016
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Royalty Agreements	The royalty agreements between Narnoo Mining Pty Ltd, a wholly-owned subsidiary of EMA and each of the Noteholders which entitles the Noteholders to a royalty of 1.5% of gross sale proceeds up to a maximum of \$12 million.
The Transaction	The proposal to issue 400 million EMA shares and 400 million EMA options to FFI, conditional upon the conversion (by the Noteholders) of the convertible notes and promissory notes currently in place
Shareholders	Non-associated shareholders of Energy and Minerals Australia Limited
SRK	SRK Consulting Pty Ltd
Undiluted basis	Scenario whereby the Placement Shares are issued and the Notes are converted but the Placement Options are not exercised
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
Yarri Mining	Yarri Mining Pty Ltd



Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.



Appendix 3 - Independent Valuation Report prepared by SRK Consulting Pty Ltd

Independent Technical Assessment and Valuation Report on the Mineral Assets of EMA

Report Prepared for

BDO Corporate Finance (WA) Pty Ltd



Report Prepared by



SRK Consulting (Australasia) Pty Ltd

EMA002

May 2014

Independent Technical Assessment and Valuation Report on the Mineral Assets of **EMA**

BDO Corporate Finance (WA) Pty Ltd

38 Station Street, Subiaco WA 6008

SRK Consulting (Australasia) Pty Ltd

10 Richardson Street, West Perth WA 6005

e-mail: perth@srk.com.au

website: srk.com.au

Tel: +61 8 9288 2000 Fax: +61 8 9288 2001

SRK Project Number: EMA002

May 2014

Compiled by

Peer Reviewed by

Deborah Lord **Principal Consultant**

(Geology)

Daniel Guibal Principal Consultant

(Geostatistics & Resources)

Email: dlord@srk.com.au

Authors:

Caue Araujo, Daniel Guibal and Deborah Lord.

Executive Summary

SRK Consulting Australasia Pty Ltd (SRK) was commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) to prepare an Independent Technical Assessment and Valuation Report on the mineral assets of the ASX-listed company, Energy and Minerals Australia Limited (EMA). The Report has been undertaken under the guidelines of the VALMIN Code (2005 Edition), which incorporates the JORC Code.

Summary of principal objectives

This Independent Technical Assessment and Valuation will be included in BDO's Independent Expert's Report (IER) for a Notice of Meeting. The Notice of Meeting will address, and BDO's Report will address, the proposed placement and conversion of convertible notes which will increase the shareholding of more than one party in EMA to greater than 20% of the issued capital. The transaction is subject to shareholders' approval which is to be sought under Item 7 of Section 611 of the Corporations Act 2001, as a result of one or more shareholders' interests going above 20% of the issued shares in a public company.

Outline of work programme

The following aspects were considered in the writing of this report:

- Full access to key EMA and BDO personnel for discussion and enquiry;
- A high-level review of its Mineral Resource estimates and the methodologies applied; this did not include any re-estimation of Mineral Resources;
- A review of exploration technical reports and supporting documentation prepared by or to EMA;
- Compilation of Comparable Transactions by SRK project team; and
- Valuation Component and Report Preparation.

SRK notes that the VALMIN Code 2005 in Clause 65 recommends that a site inspection be completed should it be 'likely to reveal information or data that is material to the report'. A site visit was not undertaken, but SRK is satisfied with the amount of information provided by EMA for this valuation.

Introduction and Background

EMA's most advanced project is the Mulga Rock Project (MRD) and comprises four separate uranium-bearing polymetallic mineral deposits. Ambassador, Emperor and Shogun deposits were discovered during the late 1970s by the Japanese Government-owned uranium exploration company, PNC Exploration Australia Pty Ltd (PNC). EMA has subsequently discovered the Princess Deposit and depth extensions to mineralisation at Ambassador.

The deposits are located within the larger Narnoo Project tenements, 250 km east-northeast of the major mining centre of Kalgoorlie, and 100 km from the trans-national rail line.



Figure ES-1: Location of EMA's projects

Source: Modified from EMA's website (http://www.eama.com.au/projects/overview/) - 01/05/2014

The Narnoo Basin is located within the south-west portion of the larger Gunbarrel Basin (previously known as the Officer Basin). The surface geology of the Narnoo Basin is dominated by surficial cover of aeolian sands. The Narnoo Basin is interpreted to consist of a northwest-trending trough, which is bounded on all sides by faulting. The basin mostly overlies the Lower Gunbarrel Sequence of the Kingston Shelf; a small area to the west of the basin may directly overlie the Yilgarn Craton and portions along the eastern margin overlie the Albany Fraser Province (Maynard 2008).

Austwide Mining Title Management Pty Ltd (Austwide) was engaged to conduct an independent review of the tenement status of all the tenements subject to this valuation report, and to provide a tenement report (Appendix A). Of a total of 17 live tenements, subject of this report:

- Two are mining leases;
- Seven are exploration licences;
- Six are prospecting licences; and
- Two are miscellaneous licences.

The tenements held by Narnoo Mining Pty Ltd form part of the Narnoo Project and are located at Mulga Rock in the 39 Mt Margaret Mineral Field in the Mt Morgans District. E38/2822 is part of a separate project named Gunbarrel Project and is located in the Mt Margaret Mineral Field located in the Mt Margaret District.

SRK notes that the VALMIN Code 2005 cautions against ascribing value to licenses under application. SRK is not aware of any tenements under application.

SRK undertook a high-level review of the EMA Mineral Resource Estimates (MRE), for the purpose of determining their validity from a valuation perspective. All estimates refer to the JORC Code 2004. SRK's opinion is that the MREs for MRD do not present fatal flaws and that the stated figures for Inferred Mineral Resources are acceptable.

Valuation

The valuation of EMA's mineral assets was divided into three categories according to the following Development Stage Categories (page 21 of the VALMIN Code 2005):

- **Exploration Areas** properties where mineralisation may or may not have been identified, but where a Mineral or Petroleum Resource has not been identified:
- Advanced Exploration Areas properties where considerable exploration has been
 undertaken and specific targets have been identified that warrant further detailed evaluation.
 A resource estimate may or may not have been made but sufficient work will have been
 undertaken on at least one prospect to provide both a good understanding of the type of
 mineralisation present and encouragement that further work will elevate one or more of the
 prospects to the resource category; and
- Pre-Development Projects properties where Mineral or Petroleum Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral or Petroleum Resources have been identified, even if no further Valuation, Technical Assessment, delineation or advanced exploration is being undertaken.

SRK recommended preferred values and value ranges for exploration properties on the basis of declared Resources and areal extent of tenure. In the case of the Mulga Rock Deposits Pre-Development Project, SRK calculated and compared the cost per pound valuation factor. These were compared to Yardstick factors as a means of cross-checking. SRK's value ranges adopted for these projects were considered reasonable on this basis.

SRK's preferred value was then determined within the range of possible values obtained for each deposit, considering all the available information provided by EMA. In the case of the Exploration Areas, SRK has also considered exploration commitments, as well as comparable transactions to arrive at an estimated valuation range.

In general, the valuation methods mentioned above are accepted valuation approaches for mineral projects and are in common use for determining Fair Market Value of mineral assets, using market derived data. The "Fair Market Value" is defined by VALMIN (2005) as the amount of money (or the cash equivalent of some other consideration) determined by the relevant expert in accordance with the provisions of VALMIN for which the mineral asset should change hands, on the relevant 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.

SRK understands there is value on EMA's 1.5% royalty on gross revenue up to a total of \$12 million involving the EMA mineral assets considered in this Valuation Report. However, SRK considers that it is not appropriate to apply production royalty valuation to exploration properties, as the financial outlook is too uncertain to value this consideration meaningfully. Therefore, SRK has not attributed a

value range to the royalty. SRK believes this value is immaterial in the scheme of the proposed transaction.

No credits from other metals that could be associated to the uranium mineralisation have been taken into account in SRK's valuation due to the relative low grade and the high level of uncertainties in terms of ore metallurgy, which are common at the early stages of exploration.

SRK's recommended valuation ranges and preferred values are detailed in Table ES-1. SRK has determined a fair market value (as defined by VALMIN). SRK's preferred values include additional technical considerations related to the mineralisation, such as grade and depth. It also considers the information based on interviews with the EMA management team on the results of preliminary technical studies. A detailed review of these studies was not part of SRK's scope of work.

Table ES-1: Summary of SRK's Valuation as of 9 May 2014

EMA's Mineral Assets Valuation	Low value (A\$M)	Preferred value (A\$M)	High value (A\$M)
Mulga Rock Deposits – Pre-Development Project	17.8	27.4	37.0
Mulga Rock Deposits – Exploration Area	0.3	0.4	0.5
Gunbarrel Project – Exploration Area	0.1	0.3	0.3
Total	18.2	28.1	37.8

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Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Energy and Minerals Australia Limited (EMA). The opinions in this Report are provided in response to a specific request from BDO Corporate Finance (WA) Pty Ltd (BDO) to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

List of Abbreviations

ASX	Australian Securities Exchange			
AusIMM	Australasian Institute of Mining and Metallurgy			
BDO	BDO Corporate Finance (WA) Pty Ltd			
DNRM	Department of Natural Resources and Mines			
DTM	Digital Terrain Models			
IER	Independent Expert's Report			
JORC Code 2004	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), 2004.			
JORC Code 2012	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), 2012.			
k	thousand			
kg	kilogram			
EMA	Energy and Minerals Australia Limited			
m	metre			
M	million			
m RL	metres reduced level			
m3	cubic metre			
MEG	Metals Economics Group			
MRD	Mulga Rock Deposits			
MRE	Mineral Resource Estimates			
Mt	million tonnes			
PNC	PNC Exploration Australia Pty Ltd			
RAB	rotary-air-blast			
RC	reverse circulation			
SRK	SRK Consulting (Australasia) Pty Ltd			
Т	tonne			
VALMIN Code 2005	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code is the code adopted by The Australasian Institute of Mining and Metallurgy and the standard is binding upon all AusIMM members.			

1 Introduction and Scope of Report

1.1 Background

SRK Consulting Australasia Pty Ltd (SRK) was engaged by BDO Corporate Finance (WA) Pty Ltd (BDO) to prepare an Independent Technical Assessment and Valuation Report for the mineral assets of the ASX-listed company Energy and Minerals Australia Limited (EMA). The Report has been undertaken under the guidelines of the VALMIN Code (2005 Edition), which incorporates the JORC Code.

This Independent Technical Assessment and Valuation Report will be included in BDO's Independent Expert's Report (IER) for a Notice of Meeting. The Notice of Meeting will address, and BDO's Report will address, the proposed placement and conversion of convertible notes which will increase the shareholding of more than one party in EMA to greater than 20% of the issued capital. The transaction is subject to shareholders' approval which is to be sought under Item 7 of Section 611 of the Corporations Act 2001, as a result of one or more shareholders' interests going above 20% of the issued shares in a public company.

The valuation is current at 9 May 2014 and monetary amounts are in United States dollars (US\$) and Australian dollars (A\$) as specified throughout the Report. The final valuation is provided in A\$.

In accordance with VALMIN, mineral assets comprise all property including but not limited to real property, intellectual property, mining and exploration tenements held or acquired in connection with the exploration of, the development of and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

All EMA's projects were classified according to the Development Stage Categories (page 21 of the VALMIN Code 2005):

- **Exploration Areas** properties where mineralisation may or may not have been identified, but where a Mineral or Petroleum Resource has not been identified;
- Advanced Exploration Areas properties where considerable exploration has been
 undertaken and specific targets have been identified that warrant further detailed evaluation,
 usually by drill testing, trenching or some other form of detailed geological sampling. A resource
 estimate may or may not have been made but sufficient work will have been undertaken on at
 least one prospect to provide both a good understanding of the type of mineralisation present
 and encouragement that further work will elevate one or more of the prospects to the resource
 category;
- Pre-Development Projects properties where Mineral or Petroleum Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral or Petroleum Resources have been identified, even if no further Valuation, Technical Assessment, delineation or advanced exploration is being undertaken;
- Development Property properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels; and
- Operating Mines mineral properties, particularly mines and processing plants that have been commissioned and are in production.



Figure 1-1: Location of EMA's Projects

Source: Modified from EMA's website (http://www.eama.com.au/projects/overview/) - 01/05/2014

1.1.1 Tenements status

EMA has engaged Austwide Mining Title Management Pty Ltd (Austwide) to conduct an independent review of all the tenements subject to this valuation, and to provide a tenement report (Appendix A). Of a total of 17 live tenements, subject of this report:

- Two are mining leases
- Seven are exploration licences
- · Six are prospecting licences
- Two are miscellaneous licences.

The tenements held by Narnoo Mining Pty Ltd form part of the Narnoo Project and are located at Mulga Rock in the 39 Mt Margaret Mineral Field in the Mt Morgans District. E38/2822 is part of a separate project named Gunbarrel Project and is located in the Mt Margaret Mineral Field located in the Mt Margaret District. A map showing the location of the tenements can be found in the Appendix A. Both Narnoo Mining Pty Ltd and Camuco Pty Ltd are 100% owned by EMA. The registered holder details and status of the tenements are set out in Table 1-1 below:

Table 1-1: Status of EMA tenements

Tenement	Status	Registered Holder	Interest held in Tenement
E38/2822	Granted	Camuco Pty Ltd	100/100
E39/876	Granted	Narnoo Mining Pty Ltd	100/100
E39/877	Granted	Narnoo Mining Pty Ltd	100/100
E39/1148	Granted	Narnoo Mining Pty Ltd	100/100
E39/1149	Granted	Narnoo Mining Pty Ltd	100/100
E39/1150	Granted	Narnoo Mining Pty Ltd	100/100
E39/1151	Granted	Narnoo Mining Pty Ltd	100/100
L39/193	Granted	Narnoo Mining Pty Ltd	100/100
L39/219	Granted	Narnoo Mining Pty Ltd	100/100
M39/1080	Granted	Narnoo Mining Pty Ltd	100/100
M39/1081	Granted	Narnoo Mining Pty Ltd	100/100
P39/4877	Granted	Narnoo Mining Pty Ltd	100/100
P39/4878	Granted	Narnoo Mining Pty Ltd	100/100
P39/4879	Granted	Narnoo Mining Pty Ltd	100/100
P39/4880	Granted	Narnoo Mining Pty Ltd	100/100
P39/4881	Granted	Narnoo Mining Pty Ltd	100/100
P39/4882	Granted	Narnoo Mining Pty Ltd	100/100

21 May 2014

2 Programme Objectives and Work Programme

2.1 Programme objectives and Scope of Work

This Independent Technical Assessment and Valuation Report has been prepared by SRK under instructions from BDO who has been retained by EMA to prepare an Independent Expert Report.

This Report complies with the technical property information required under various securities laws of Australia.

SRK has selected the most appropriate valuation technique for the assets, based on the development stages of the projects and the amount of available information. This SRK Valuation Report expresses an opinion regarding the value of the mineral assets. It does not comment on the 'fairness and reasonableness' of any transaction between the project's owners and any other parties.

2.2 Reporting standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment and Valuation Report under the guidelines of the VALMIN Code 2005. VALMIN is the code adopted by The Australasian Institute of Mining and Metallurgy and the standard is binding upon all AusIMM members. The VALMIN Code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves (2004). It should be noted that the authors of this Report are Corporate Members of The AusIMM and, as such, are bound by the VALMIN Code.

Where SRK has relied on Mineral Resource Estimates for its valuation, SRK has quoted the Competent Person for these resources and has obtained their consent to do so. Ms Deborah Lord assumes the responsibility for the valuation estimates presented here in and has the relevant experience to be considered an Expert under the VALMIN guidelines.

2.3 Key sources of data

Data and information on the assets used to prepare this report are referenced throughout the report.

2.4 Effective date

The effective date (Effective Date) of this report is deemed to be 9 May 2014.

2.5 Indemnities

As recommended by VALMIN, EMA has agreed to provide SRK with an indemnity (letter dated 12 May 2014) under which SRK is to be compensated for any liability and / or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by EMA or to EMA not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

2.6 Verification, validation and reliance

EMA has confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of its knowledge and understanding, the information provided by it, was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

The report herein is dependent upon technical inputs as provided by EMA which were taken in good faith by SRK. SRK has not independently verified Mineral Resources estimates by means of recalculation.

2.7 Work programme

The Project commenced in early May 2014, with a review of existing remote electronic company data and other information sourced by SRK from literature and company websites; SRK has also used subscription databases such as Intierra and SNL database services. SRK consultants worked through the relevant databases, compiled the report and completed research on comparable market transactions to assist with the Valuation.

SRK notes that the VALMIN Code 2005 in Clause 65 recommends that a site inspection be completed should it be 'likely to reveal information or data that is material to the report'. A site visit was not undertaken for this project, as SRK assessed it was not going to reveal material information.

As per the VALMIN Code 2005, a first draft of the report was supplied to Sherif Andrawes (BDO) to check for material accuracy on 15 May 2014. The final report was supplied to BDO on 21 May 2014.

SRK has conducted a review and assessment of the available technical information for EMA projects, which included the following:

- Full access to key EMA and BDO personnel for discussion and enquiry;
- A review of its Mineral Resource estimates, including the methodologies applied in determining such estimates and classifications; and
- A review of Technical Reports and supporting documentation prepared by EMA.

This report has been prepared based on a technical review by a team of consultants sourced from SRK's offices in Australia. Details of the qualifications and experience of the consultants who have carried out the work in this report, and have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below.

- Deborah Lord, Principal Consultant (Geology), BSc (Hons), FAusIMM, MAIG, MGSA, MSEG:
 Project Management, Valuation and Reporting
- Caue Araujo, Senior Consultant (Geology), BSc (Geology), MBA (Project Management & Finance), MAusIMM: Support to Valuation and Reporting
- Daniel Guibal, Principal Consultant (Geostatistics & Resources), Min. Eng., FAusIMM: Mineral Resource Estimates Review and Reporting Peer Review.

2.7.1 Legal Matters

SRK has not been engaged to comment on any legal matters.

2.8 Limitations, reliance on information, declaration and consent

2.8.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by EMA and BDO throughout the course of SRK's investigations as described in this report, which in turn reflect various technical and economic conditions at the time of writing. If these conditions did change materially prior to the shareholder meeting, the information and opinions contained in this report would have to be addressed to reflect these changes.

Taking due consideration of the timeframes for transactions of this nature, SRK notes that the resulting budgets and forecasts have been prepared appropriately and are based on the information

available at the time and within the practical constraints and limitations of such budgets and forecasts.

The achievability of budgets and forecasts are neither warranted, nor guaranteed by SRK. Future cash flows and profits derived from such forecasts are inherently uncertain owing primarily to the volatility of the US Dollar uranium price and the A\$/US\$ exchange rates.

The forecasts as reported upon herein are those made by EMA of future parameters that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of EMA or its management. Consequently, actual results may be significantly more, or less favourable.

This report includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by EMA and BDO was complete and not incorrect, misleading or irrelevant in any material aspect.

2.8.2 Reliance on information

SRK believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in this report. The preparation of such a report is a complex process and does not lend itself to partial analysis or summary.

SRK's effective date for the Report (Section 1.3) is based on information provided by EMA throughout the course of SRK's investigations, which in turn reflect various technical-economic conditions prevailing at the date of this report.

2.8.3 Statement of SRK independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with EMA or BDO in regard to the mineral assets that are the subject of this Report apart from having conducting a valuation in 2006 and providing technical advice to a previous potential investors regarding EMA assets in 2014. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

2.8.4 Consent

SRK consents to this report being included, in full, in BDO documents in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report.

2.8.5 Consulting fees

SRK has received the payment of approximately A\$27,000 to undertake the work associated with completion of this ITR and Valuation Report.

3 Mineral Resources Review

This section represents a very high-level review of the existing resources for the valuation of EMA's Mulga Rock Deposits Pre-Development Project, considering the time and scope constraints of this type of study.

SRK's opinion is that the stated global figures for Inferred Mineral Resources are acceptable as representation of global grades and tonnages for valuation purposes.

This high-level review and assessment concentrated on the Ambassador deposit, the main orebody of the project (the other ones being Emperor, Shogun and Princess), and covered the Resource and the Processing aspects of the Project, with a brief review of the costs.

Mulga Rock is primarily a uranium resource with possible payable base metals content. There are minor amounts of rare earths, scandium and gold that are unlikely to be economically recoverable.

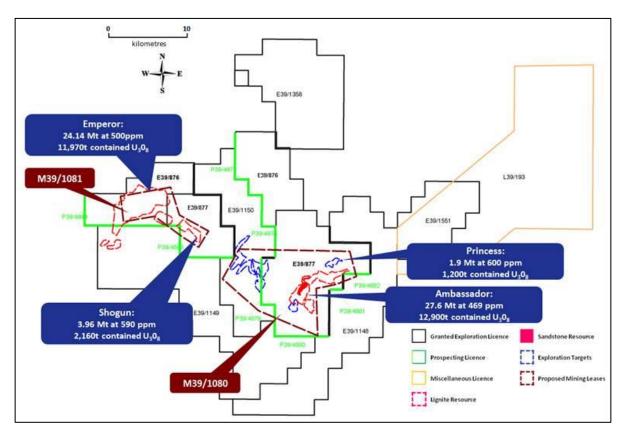


Figure 3-1: EMA's Mulga Rock Deposits

3.1 Data reviewed by SRK

The following data and reports were reviewed by SRK:

Ambassador 2010 resources

- Database of assay results and lithologies
- Hole twinning results
- Composites used for the estimation
- Block Model
- Coffey 2010 resource report.

Ambassador, Emperor and Shogun 2009 resources

Coffey 2009 resource report.

Drillhole spacing optimisation

Coffey 2010 Memorandum.

Princess 2012 resources

- EMA 2012 resource report
- David Wilson 2012 Spectral and Total Gamma Logging Report
- EMA QA/QC Report for 2011-2012
- EMA December 2013 PowerPoint presentation of the Mulga Rock Project.

Historical Metallurgical Results

- Comments by Robertson Research on AMMTEC 1984 Test results
- MPL 1993-1996 Calcining and Leach Tests
- AMMTEC 2003 and 2004 Testwork.

Metallurgical Testwork by EMA

- ANSTO 2008-2013 Studies
- AMTEL 2010 U, Base Metal and REE deportment Studies
- CSIRO 2010 Ore Characterisation Study
- ALS 2013 Physical Beneficiation Testwork
- 2013 Proposed Stage 2 Testwork
- 2013 Executive Status Report on metallurgical Testwork
- December 2013 SJ Mets Consultants EMA Metallurgical review Memorandum.

2010 Scoping Study

- Financial Model
- November 2010 EMA Statement ("Positive Outcome for Scoping Study").

EMA Annual Reports 2011-2013

3.2 Geology

The Mulga Rock Deposits are located 250 km ENE of Kalgoorlie. They were discovered in 1979 by the Japanese-owned PNC. The geology is well understood. The deposits are hosted within a sequence of up to 100 m of Palaeogene sediments forming three broad units, as follows:

- 1 Fluvial sands and lacustrine sediments
- 2 Lacustrine to paludal sediments including lignite, clay-rich lignite and carbonaceous sands
- 3 Basal fluvial sands and gravels.

The mineralisation is complex, with the uranium occurring mostly as diffuse concentrations. At Ambassador, the following three major styles of mineralisation, from top to bottom, are found:

- 1 Upper lignite-enriched in U, REE, Ni, Co, Sc, V and locally Au and Ag
- 2 Lower lignite and associated sandstone, enriched in base metals
- 3 A basal sandstone-hosted lower grade mineralisation.

A typical cross-section of the mineralisation is given in Figure 3-2.

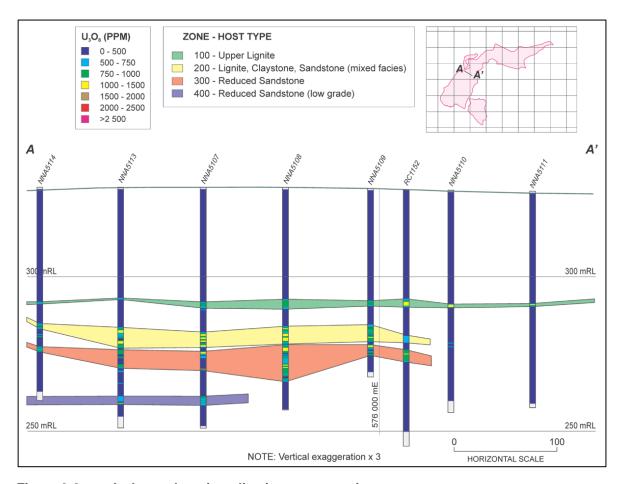


Figure 3-2: Ambassador mineralisation cross-section

Source: Coffey, 2010

It should be noted that the first mineralised horizon (Upper lignite) is at a 30-40 m depth, which implies a rather high stripping ratio in open pit mining.

3.3 Data

As expected for a deposit known for a long time, there are various types of data. The current database includes over 1,000 drillholes of which about 500 were used in the 2010 estimation by Coffey.

Figure 3-3 shows the location of the holes and their types. PNC RC and aircore data were excluded from the resource estimation.

The Historical PNC diamond holes show good recovery, but were subject to character sampling. No QA/QC data are available.

EMA's pre-2010 diamond drilling used selective sampling based on gamma log results. This is not ideal because of inconsistencies in the gamma logging and the fact that cores represent much smaller volumes than gamma measurements. This practice of selective sampling has been abandoned in more recent times and SRK concurs with this decision. In addition to diamond drillholes, EMA also drilled aircore and sonic holes. The chemical assays from the aircore holes seem to undercall U grades, and have been excluded from the estimation.

In general, the sampling procedures used by EMA are reasonable, and the assaying performed by Ultratrace, with a combination of ICP-MS and ICP-OES techniques, appears sound. The total number of diamond holes is probably too low and more holes are needed to better calibrate the radiometric values.

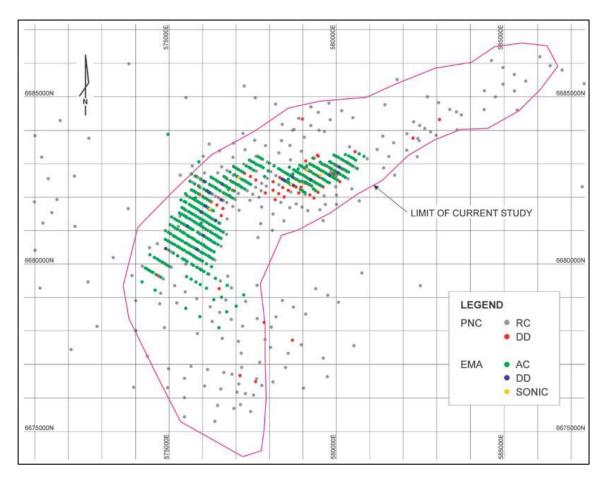


Figure 3-3: Ambassador drillhole locations and types

Source: Coffey, 2010

The majority of the data come from radiometric measurements (gamma logs), which were calibrated in the case of the EMA logging at the AMDEL facilities in Adelaide.

Twin drilling (diamond-aircore, diamond-diamond and aircore-aircore, 27 twinned holes) was used as part of the QA/QC performed by EMA. The results suggest that aircore assays undercall U, as already mentioned, but the number of available pairs for this comparison is low (15). The other QA/QC measurements taken by EMA (field duplicates and standards) give acceptable results, but SRK agrees with Coffey's recommendation to use one more high-grade standard (over 1,400 ppm) as the high-grade mineralisation is a significant component of the resource.

The most important issue concerning the data appears to be a significant disequilibrium between original radiometric data and chemical assays. This disequilibrium depends on the lithology, and more generally, the location within the deposit. To account for it, Coffey applied a linear correction; in the case of EMA data, the following correction was used:

Lignite-hosted mineralisation:

- For eU₃O₈ grades between 0 and 200 ppm · fact_e U₃O₈ = eU₃O₈ * 1.0
- For eU₃O₈ grades > 200 ppm · fact_e U₃O₈ = eU₃O₈ * 1.65

Sandstone-hosted mineralisation:

- For eU₃O₈ grades 0 to 200 ppm · fact_e U₃O₈ = eU₃O₈ * 1.0
- For eU₃O₈ grades > 200 ppm · fact_e U₃O₈ = eU₃O₈ * 1.5

This method is clearly flawed, as it will introduce significant discontinuities at the cut-off values (200 ppm in this example): 199 ppm will stay at 199 ppm, while 201 ppm will be converted into 332 ppm within the lignite-hosted mineralisation. This does not make sense physically. It is difficult to evaluate the consequences for the resource estimation, but it is likely to lead to biases. A review of the factoring method is imperative.

3.4 Resource estimation

Coffey's resource estimation within the mineralisation model is classical and shows no major flaws. Coffey employed the following steps:

- Combination of chemical and factored equivalent Uranium values
- Compositing to 0.5 m constant length
- Statistical analysis, declustering and top-cutting to limit the impact of the very high grades;
 the choice of top-cuts which vary with the mineralisation is acceptable
- Variography: The variograms obtained are typical of those obtained when using radiometric data
 low nugget effect and rather long ranges, which may be slightly optimistic
- Definition of a block model with 200 m x 100 m x 10 m parent cells and sub-blocking down to 25 m x 25 m x 0.5 m; parent cell size is dictated by the drilling density, which is quite variable
- Grade estimation by Ordinary Kriging and within each mineralisation type, in three steps with increasing search neighbourhoods.

The approach is reasonable, but the resulting estimation is quite smooth and does not reflect the potential higher selectivity which can be reached at mining stage, where grade control will allow separation into much smaller blocks. While more data will be needed, SRK recommends that non-linear geostatistical methods (like simulation or Uniform Conditioning) be used to account for a higher selectivity. This may lead to a higher metal recovery.

Average values are used for bulk density. Measurements exist, but are not taken consistently; more measurements are needed in the future.

With the uncertainties surrounding the data, the classification of Inferred applied to the resources is completely justified.

In summary, the geology of the project area is well understood, with uranium mineralisation hosted by lignite and sandstone. The data used for the resource estimation are mostly from radiometric measurements. Historical data (from PNC essentially) appear to be of moderate quality, while more recent data from EMA (since 2009) are generally good, although recovery of the samples from aircore drilling is not always high.

The Ambassador deposit shows a clear positive disequilibrium (the chemical grades are generally higher than the grades obtained by conversion of the radiometric measurements), but the factoring method used by Coffey is doubtful, as it introduces discontinuities in the factored grades.

Despite this, the resource estimation process followed by Coffey (Ordinary Kriging) is reasonable, and no fatal flaw was found. Due to the existing drilling density, large blocks (200 m x 100 m x 10 m) were estimated, with sub-blocking to account for the geometry of the layers. Mining selectivity at production stage should be much better than this, and this would imply a higher metal recovery at a better grade. SRK recommends the following work on the resources:

- · Review of the disequilibrium data and new factoring of the radiometric values
- Additional bulk density measurements are required
- Re-estimation of the resources, based on a more realistic mining selectivity assumption. With the current drill spacing, this implies the use of non-linear geostatistical techniques (simulation or Uniform Conditioning for instance).

The resources are summarised in Table 3-1 (from EMA).

Table 3-1: Mulga Rock Uranium Resource Estimates

Deposit	U₃O ₈ Cut off (ppm)	Tonnes (Mt)	U₃O ₈ Grade (ppm)	Containe d U ₃ 0 ₈ (<u>kt</u>)	Contain ed U ₃ O ₈ (<u>Mlb</u>)*	Author
Princess	200	1.9	600	1.2	2.5	EMA, 2012
Ambassador						
Upper Lignite	200	16.7	600	10.0	22.0	
Lower Lignite	200	3.7	320	1.2	2.6	Coffey Mining, 2010
Sandstone	100	7.2	240	1.7	3.7	
Ambassador Sub-total		27.6	470	12.9	28.4	
Emperor	200	24.1	500	12.0	26.4	Coffey Mining,
Shogun	200	3.7	590	2.2	4.8	2009
Total		57.3	500	28.3	62.2	

Note that appropriate rounding has been applied to information in this table (conversion from tonnes to pounds used a 2,204.62 conversion factor). For details of the 2010 Ambassador and 2009 Emperor and Shogun Mineral Resource Estimates, please refer to announcements to the ASX dated 11 June 2010 and 13 January 2009 respectively.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Xavier Moreau (EMA), Michael Fewster (EMA's contractor) and Iain McFarlane (Coffey Mining) have consented to the Mineral Resource Estimation on Section 3 being included in the form and context in which it is included, and has not withdrawn this consent as at the date this disclosure document is lodged with ASIC.

The information in this report that relates to the Princess Mineral Resource Estimate (U3O8), Resource Database is based on information compiled by Xavier Moreau and Michael Fewster, who are Members of the Australian Institute of Geoscientists. Mr Moreau is a full time employee of EMA. Mr Fewster is a consultant to EMA and potential beneficiary of the Busani Family Trust, a substantial shareholder of the Company. Both have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as Competent Persons as defined in the 2004 Edition of the JORC 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information in this report that relates to the 2009 (Emperor & Shogun) and 2010 (Ambassador) Mineral Resource Estimates (U_3O_8) is based on information compiled by Neil Inwood, who is a member of the AusIMM and Mr Macfarlane, who is a Member of the AIG. Mr Inwood was employed by Coffey Mining as a consultant to the Company at the time of the resource estimates and public release of results. As Mr Inwood is no longer employed by Coffey Mining, Coffey Mining has reviewed this announcement and consent to the inclusion, form and context of the relevant information herein as derived from the original resource reports for which Mr Inwood's consents have previously been given. Mr Macfarlane is employed by Coffey Mining and has also reviewed this announcement and consents to the inclusion, form and context of the relevant information herein. Mr Inwood and Mr Macfarlane have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as Competent Persons as defined in the 2004 Edition of the JORC 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

3.5 Brief comment on mining costs and processing

SRK is aware of a scoping study released to the ASX by EMA in November 2010, and understands the assumptions and parameters that drove the scoping study are being reconsidered. SRK was not required to examine the current mining studies. Nevertheless, a quick high-level analysis of possible mining costs was made, based on the following assumptions:

- Stripping ratio 11.7 (30 m overburden for 4 m of mineralisation, densities of 1.4 for the overburden and 0.9 for the lignite)
- Average head grade: 600 ppm U₃O₈
- Recovery: 82%
- Contractor's cost: A\$2.20/t material moved based on Mineral Sands' Westrac recent contract
- Exchange rate: \$A:\$US0.85.

These assumptions lead to an overall cost of US\$21.9/lb U₃O₈.

Processing flowsheet development and testwork has been ongoing since at least as early as 1984. During this time, a range of extraction methods have been considered, including *in situ* leaching (ISL), calcination, oxidative sulphuric acid leaching, dense media separation, resin in leach ion exchange (RIL-IX) and resin in pulp ion exchange (RIP-IX). A wide range of testwork has been completed over the last 20 years.

A high-level review of the processing aspects of the Mulga Rocks Project has been recently completed by SRK's Associate Consultant Simulus Engineers (Simulus). The current flowsheet is considered suitable for processing both the sandstone and lignite resources. Further work is required (and planned) to confirm the operating conditions for the heavy mineral separation (HMS) plant, and the possible inclusion of a calcination stage for lignite treatment. The management team are advancing the testwork and flowsheet development in a logical and appropriate manner.

Simulus suggested the following process recoveries and reagent consumptions for economic modelling at this stage of the project development:

- HMS recovery: 95% (sandstone resource)
- Leach extraction: 88% (both ore types until further sandstone work is complete)
- Resin in pulp (RIP) recovery: 97% (including resin losses)
- Elution: 100%
- Precipitation and calcination: 99.7%
- Sulphuric acid consumption: 60 kg/t of lignite leach feed
- Sulphuric acid consumption: 11 kg/t of sandstone beneficiation plant feed (until leach results on beneficiated product are available).

4 Gunbarrel Exploration Area

EMA through its subsidiary Camuco Pty Ltd owns 100% of the Gunbarrel Project, tenement E38/2822. The Gunbarrel Project is located about 250 km north east of Kalgoorlie, on the western edge of the Great Victoria Desert. The best access by road from Kalgoorlie is via the well-formed Yarri, Mt Celia and Linden shire roads to immediately north of Lake Carey (about 240 km), then east along the fence line to South Soak (about 25 km), then continuing on the shire road about a further 80 km to the southern part of the Project.

The E38/2822 tenement falls within the area of the former Wongatha NTC99/001 claim. This land is administered by the Central Desert Native Title Service (CDNTS). Initial heritage surveys were completed in 2010 allowing for scout drilling along broad-spaced traverses.

The Gunbarrel Project is located in the Gunbarrel Basin, an intracratonic sedimentary basin of Middle to Late Phanerozoic age that covers a large area of inland Western Australia and extends to South Australia. The area along the south western margin of the basin includes the Kingston Shelf, adjacent to the Yilgarn Craton. Weathering of felsic igneous and volcanic rocks that dominate Yilgarn has released uranium, which was then available for chemical capture by some of the sedimentary successions either overlying the Yilgarn or within the adjacent region of Kingston Shelf. The previous discovery of Mulga Rock Deposits and the Double 8 sandstone-hosted deposit in the region indicates there is potential for a significant uranium province.

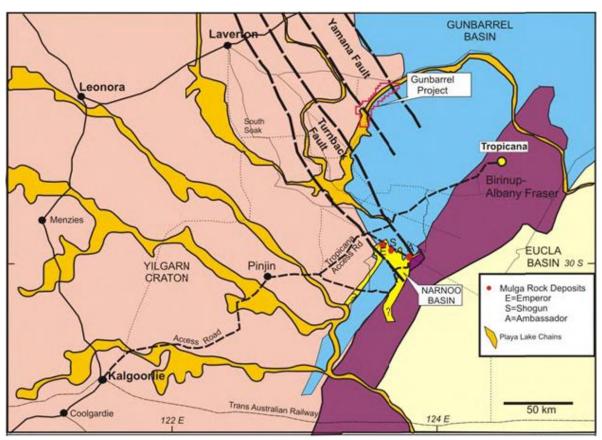


Figure 4-1: Gunbarrel Project location and Regional Geology

Previous exploration at the Gunbarrel Project area consists of mapping and geophysical surveys, including an 800 m line spaced RepTEM (east-west lines EM survey). Initial exploration results indicate that the project covers a palaeochannel and valley fill system that overlies the contact between the Yilgarn and Kingston Shelf. Mapping by EMA along cleared access tracks has found

calcrete float within the project area, suggesting a much wider distribution at shallow depth (<20 m). The EM data confirms that a sand-filled palaeochannel system is present at depths of 50 - 80 m.

The Gunbarrel Project is being explored for two principal styles of uranium mineralisation:

- 1 Very shallow calcrete-type, carnotite-dominant mineralisation such as the Yeelirrie Deposit
- 2 Sandstone-hosted roll-front or tabular style mineralisation such as that at Mulga Rock Deposits (Narnoo Basin).

Limited geochemical analysis of granites and orthogneiss to the north of the project show them to be enriched in presence of uranium and REE-rich. The deep (primarily Eocene) weathering of these intrusive associated with the following shedding and accumulation of the clastic component in the paleodrainage further reinforces the potential for sandstone-hosted mineralisation.

The basin margins may also contain channels and alluvial fans in which heavy detrital minerals such as uranium and diamonds (or indicator minerals) may be concentrated within conglomerates or other coarse clastic packages.

The understanding of the evolution of the Gunbarrel Project geology draws significantly upon a considerable body of knowledge developed by M Fewster over the region since the early 1980s (Figure 4-2).

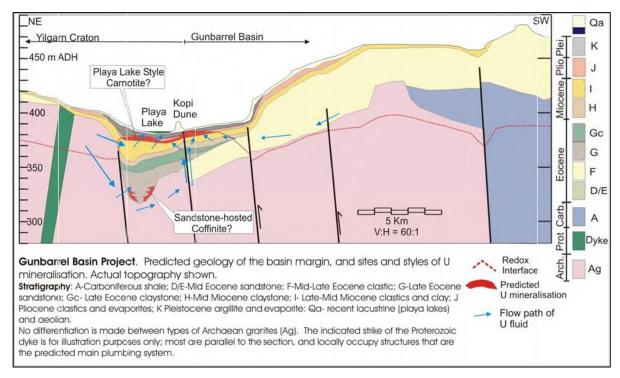


Figure 4-2: Conceptual Genetic Model for supergene uranium mineralisation at Gunbarrel

The most important precursor for carnotite uranium mineralisation potential in the area is the confirmation of the presence of Units I and J, these being a coarse clastic and calcrete successions respectively. The Units I-J package would be a favourable host for carnotite mineralisation within the project area when overlain by the reduced lacustrine sediments of Unit K. However, EMA believes that if mineralisation is present, it is buried by a greater thickness of Unit K (but still <10 - 20 m) than compared to the other channels higher up on the Yilgarn Craton where the majority of the known calcrete-type uranium resources in WA are located.

These well documented deposits were typically discovered by radiometric surveys detecting outcrop or shallow sub-cropping mineralisation. EMA believes that radiometric surveys will be ineffective for

the exploration for calcrete-type uranium mineralisation within playa-lake terranes along the eastern margin of the Yilgarn Craton; instead discovery will require a more technically-based methodology as is being developed by EMA.

EMA has acquired the RepTEM data over the project area and interpreted these data in a stratigraphic context, proposing that the conductors seen in the 10-20 m depth slices relate to Unit I channel fill, and therefore may delineate the more prospective areas for carnotite mineralisation. A channel is clearly visible east of some Achaean basement locally outcropping west of the project.

EMA also believes the 50 m depth slice from the EM survey, which defines a network of clearly sinuous conductors, may represent older channels (Eocene) filled with sandstone (Unit G).

A deeper depth slice (80 m) suggests that the palaeodrainage is vertically significant (probably marking more conductive claystone at those depths) and has the potential to host basal channel style mineralisation where:

- Mixing of groundwaters of contrasting chemistry occurs, such as where tributaries draining the Gunbarrel Basin to the south meet groundwaters in the palaeodrainage;
- Constriction of the actual channel occur through recent faulting, sometimes reactivating older ductile structures that themselves might be an integral component in the mineralising process, either as a source of metals (through a deep weathering), a conduit for the ore-fluid, or both (the majority of the project area overlies deformed and sheared basement rocks within the Yamarna Fault zone);
- Strong redox contrasts exist within a scoured channel base, in particular close to Proterozoic dolerite dyke trending at a high angle to the palaeodrainage axis;
- Local ponding of groundwaters and/or compartmentalisation of the stratigraphy occurs due to some vertical offsets along faults zones acting as seals.

SRK was advised by EMA that the Gunbarrel Project was only recently acquired and previous exploration data is still being compiled by EMA.

5 Valuation

While the VALMIN Code 2005 states that decisions as to which valuation methodology is used are the responsibility of the Expert or Specialist, where possible, SRK considers a number of methods.

The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

An overview of a number of methods traditionally used to value exploration properties includes:

- Multiples of Exploration Expenditure (MEE)
- Joint Venture Terms Method (expenditure-based)
- Geoscience Ratings Methods (e.g. Kilburn area-based)
- Comparable Market Value Method (real estate-based)
- Metal Transaction Ratio (MTR) Analysis (ratio of the transaction value to the gross dollar metal content, expressed as a percentage – real estate-based)
- Yardstick / Rule of Thumb Method (e.g. A\$/Resource or production unit, % of an in situ value)
- In addition, SRK uses the geological risk method to value early stage exploration assets.

5.1 Valuation approaches

The three generally accepted Valuation approaches, as listed and defined in the CIMVAL Code (2003) are:

- 1 Income Approach
- 2 Market Approach
- 3 Cost Approach.

The *Income Approach* is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property (CIMVAL, 2003). Valuation methods that follow this approach include Discounted Cash Flow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties, transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, MTR and option or farm-in agreement terms analysis.

The *Cost Approach* is based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration potential of the Mineral Property.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the property, and hence the amount and quality of the information available on the mineral potential of the property. Table 5-1 presents CIMVAL's view on the applicability of the various valuation approaches for the valuation of mineral properties at the various stages of exploration and development.

Table 5-1: Suggested valuation approaches for different types of Mineral Properties (CIMVAL)

Valuation approach	Exploration properties	Mineral Resource properties	Development properties	Production properties
Income	No	In some cases	Yes	Yes
Market	Yes	Yes	Yes	Yes
Cost	Yes	In some cases	No	No

Source: (CIMVAL, 2003)

The Market approach to valuation is generally accepted as the most suitable approach for valuation of a Mineral Resource Property or a Pre-Development Project.

The use of income-based methods, such as Discounted Cash Flow (DCF) modelling, is not generally accepted in situations where Mineral Reserves, supported by suitably detailed mining studies, have not been declared. As Mineral Reserves have not currently been declared for any of the projects subject to this valuation, income-based methods of valuation are not considered suitable.

The use of cost-based methods, such as considering suitable multiples of exploration expenditure is best suited to exploration properties, before Mineral Resources are reliably estimated. As current Mineral Resources have been declared for the Mulga Rock Deposits Pre-Development project, cost-based methods of valuation are considered less suitable than market-based methods of valuation for these properties.

SRK favours the use of the Comparable Transaction method of valuation, a market-based approach, for the valuation of EMA's Mulga Rock Deposits Pre-Development project. An alternative method would be the Yardstick (Rule of Thumb), which is also a market-based approach.

In general these methods are accepted analytical valuation approaches that are in common use for determining Fair Market Value (defined below) of mineral assets, using market derived data.

The Fair Market Value is defined in the VALMIN Code 2005 as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) determined by the relevant expert in accordance with the provisions of the VALMIN Code 2005 for which the mineral asset should change hands on the relevant 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.

Valuation methods are, in general, subsets of valuation approaches and for example, the Income Based Approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation while others are secondary methods or rules of thumb considered suitable only to benchmark valuations completed using primary methods.

In summary, however, the various recognised valuation methods are designed to provide an estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

5.2 Market and transactions

Overall, funds for early stage/resource definition projects have become a major issue for the junior mining companies in 2013/2014. At the time of preparation of this technical report, uncertainties about the economic scenario and funding capacity would certainly have a negative impact in any investors' decision. The negative sentiment has been also substantiated by the sharp decrease in

share prices from exploration companies worldwide, as well as a decrease of metal prices on a US\$ basis.

The uranium spot price spiked to over US\$70/lb early in 2011 before slumping back and decreasing to around US\$29/lb in 2014 (Figure 5-1). Between February 2014 and May 2014, prices have fluctuated around US\$30/lb and US\$36/lb (Figure 5-2).

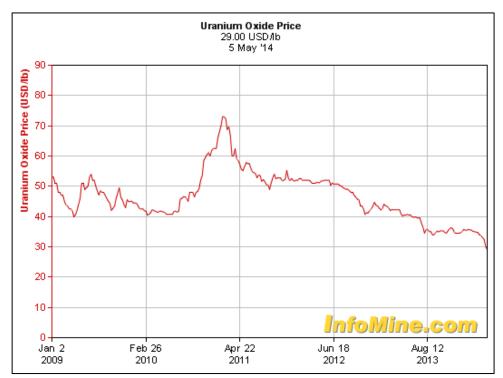


Figure 5-1: Uranium market (since January 2009)

Source: Infomine



Figure 5-2: Uranium market between February 2014 and May 2014

Source: Infomine

5.2.1 Uranium Mineral Resources Comparable Market Transactions

In assessing a valuation factor for uranium, SRK analysed five transactions of uranium properties in Australia and two transactions in Africa that occurred after January 2009, with four of these transactions considered to be suitable comparatives for the valuation of EMA's uranium Mineral Resources, all of them located in Australia. Two transactions occurred before the Fukushima nuclear disaster (11/03/2011), a catastrophic failure at the Fukushima I Nuclear Power Plant which resulted in a meltdown of three of the plant's six nuclear reactors. The failure occurred when the plant was hit by a tsunami triggered by an earthquake.

SRK notes that the mineralisation style and U grades from the selected comparable transactions are different, but have similar stages of exploration. The projects considered ranged from Advanced Exploration to Pre-Development projects, and all included declared Resources classified as Inferred or higher.

The transactions were analysed according to the stated total transaction values. All values and factors quoted are in Australian dollars.

When considering the four relevant transactions (Table 5-2), the implied price in A\$ per pound of uranium (using an exchange rate of A\$1 = US\$0.9369 at 9 May 2014) has been factored by the current uranium price (US\$29.00 at 05 May 2014, source Infomine) and the uranium price at the time of the transaction. The results range from A\$0.22 to A\$0.68, with a median of A\$0.55 and a weighted average of A\$0.44. In order to calculate the value of the transaction that should be attributable to the Inferred Resources of the Lake Maitland deposit, SRK has considered the Indicated resource as double the value of the Inferred resource. Therefore, 4% of the total value of the transaction was divided by the total amount of contained Inferred resource (1.56 Mlb of Uranium), and the result obtained was A\$0.68 per pound of Uranium factored by the Uranium price (Current Price / Price at the time of the transaction).

Table 5-2: Comparable Uranium Resource Transactions

Date	Project	Seller	Buyer	Deal	Currency	%	nplied value or 100% AUD	Pı	nium rice D/lb	P	anium Price UD/Ib	Resource	inf (t)	inf grade (ppm)	inf contained (t)	in contained (lbs)	per pound	factored by Uranium Prices
19-Oct-10	Dawson - Hinkler Well	U3O8	Toro Energy	\$ 6,200,000	AUD	100	\$ 6,200,000	\$	48.83	\$	50.28	inferred	9,500,000	293	2,800	6,172,943	\$ 1.00	\$ 0.62
18-Jul-11	Nowthanna	Private Vendors	Toro Energy	\$ 2,800,000	AUD	100	\$ 2,800,000	\$	52.79	\$	54.35	inferred	7,390,000	450	3,326	7,400,000	\$ 0.38	\$ 0.22
17-Feb-11	Millipede	MPI Nickel Pty Ltd	Toro Energy	\$ 4,500,000	AUD	100	\$ 4,500,000	\$	65.00	\$	64.07	Exploration Target	4-6Mt	350-550	1.8-2.3Mt	4,500,000	\$ 1.00	\$ 0.48
19-Nov-13	Lake Maitland	Mega Uranium Ltd	Toro Energy	\$ 35,000,000	AUD	100	\$ 35,000,000	\$	35.00	\$	37.12	indicated	18,900,000	497	9,393	20,708,469		
												inferred Total	1,900,000 20,800,000	374 486	711 10,109	1,566,589 22,285,860	\$ 0.81	\$ 0.68

Note: Data sourced from Intierra and SNL databases.

Table 5-3: MRD valuation considering comparable transactions at 9 May 2014

MRD Valuation – Comparable Transactions	Low value (A\$M)	Preferred value (A\$M)	High value (A\$M)	
MRD Inferred Resource = 62.2 Mlb Uranium	17.8	27.4	37.0	

5.2.2 Comparison with Yardstick method

In the Yardstick method of valuation, specified percentages of the spot price of the metal is used to value the Resources. Commonly used Yardstick factors are:

Not in reported resource: <0.5% of spot price

Inferred Resources: 0.5% to 1% of spot price
 Indicated Resources: 1% to 2% of spot price
 Measured Resources: 2% to 5% of spot price.

SRK notes that the Yardstick Method is not generally considered to be a suitable primary Valuation method, but is considered an acceptable secondary Valuation method (Lawrence, 2012). In this case, SRK is of the opinion that the Yardstick valuation method supports the Valuation Range derived from the analysis of Comparable Transactions.

Using a uranium price of US\$ 29.00/lb / A\$ 30.95/lb (05 May 2014), the factor derived from the analysis of comparative transactions A\$ 0.44 equates to approximately 1.4% of the spot price, which represents a reasonable value when compared to the generally accepted Yardstick factor for Inferred Resource.

SRK prefers to rely on the actual factor derived from the analysis of the comparative transactions, as this is relevant to the particular style of mineralisation, geographic area and specific market conditions prevailing.

Table 5-4: MRD valuation considering the Yardstick Method

MRD Valuation – Yardstick method	Low value (A\$M)	Preferred value (A\$M)	High value (A\$M)	
MRD Inferred Resource = 62.2 Mlb Uranium	9.6	14.4	19.3	

5.3 Valuation of the Mulga Rock Deposits Pre-Development Project

SRK's approach to the valuation of Mulga Rock Deposits Pre-Development project is to value them using the valuation factors derived from the analysis of comparative market transactions. This is cross-checked against the valuation range obtained using commonly applied Yardstick valuation approach.

SRK notes that the VALMIN Code 2005 cautions against ascribing value to licenses under application. SRK is not aware of any tenement currently under application.

The Mulga Rock Deposits Pre-Development Project resource consists of a total of 57.3 Mt at 500 ppm Uranium @ a cut-off grade of 200 ppm (62.2 Mlb contained U₃O₈), as presented in Table 3-1 (Section 3.4). SRK has considered comparable market transactions as the main method for this valuation. Due to the comparative technical risk inherent in Inferred Resources, SRK recommends a range of 35% above and below this target factor. This would yield a range of A\$17.8M to A\$37.0M, with a preferred value of A\$27.4M on the basis of uranium pounds.

The Yardstick factors of 0.5% to 1% of the spot price for Inferred Resources would yield a range of A\$9.6M to A\$19.3M, using a spot price of A\$30.95. This is reasonably in agreement with the range derived using the factor obtained from the analysis of comparative transactions.

SRK suggests a preferred value obtained by the comparable transactions (A\$27.4M).

SRK recommends that EMA's 100% interest in the Mulga Rock Deposits Pre-Development Project, comprising 62.2 Mlb Uranium, be valued in the range A\$17.8M to A\$37.0M, with a preferred value of A\$27.4M.

5.4 Uranium Exploration Ground Comparable Market Transactions

Most transactions relating to tenements at an early stage of exploration are of a "farm-in" or "earn-in" nature, where a certain percentage of ownership across multiple parties is achieved through the exploration expenditure. In this type of transaction, there is a shared risk, in that if early expenditure does not generate useful information, the "optionee" can opt out of further expenditure, thus limiting risk. Typically, these agreements run over several years (3 to 5), and expenditure commitments usually exceed the minimum statutory expenditure requirement to retain the properties.

Purchases are less common and typically take place at a lower price than the tenement valuation. The purchase price represents the capital component of the tenement value and also reflects the increased risk of ownership.

SRK's method for the determination of a value for the joint ventures is based on the following calculations:

- Generic probabilities of the success of joint ventures at different stages are set as shown in Table 5-5. The basis for these probabilities is the transactional data and SRK's experience within the exploration industry. The proportion of joint ventures that proceed to completion is low, and SRK considers the cumulative probability of about 5% to be a reasonable measure of successful completion industry-wide. As an "optionee" begins the venture with intent to test the area, there is a high probability that the first year expenditure will be met. However, there is a much lower probability that the second year expenditure will be met, because there is commonly a priority target generated in Year 1 which can be rapidly tested in Year 2, at which time the "optionee" decides this is either not economic, and withdraws, or continues. The probability of exploration success at this time is low, reflecting overall industry experience of converting Exploration Targets to Mineral Resources. If this second year exploration is successful, there is an increasing probability that successive years will improve the exploration outcome. Where joint ventures (JVs) operate for less than five years, the probabilities are multiplied over the number of years of the JV. This probability is then used to factor the monetary terms of the JV.
- 2 Cash considerations and binding expenditure commitments are added to the JV value and are not discounted for probability.

Table 5-5: Generic probabilities used in assessing the value of JV agreements

Y1	Y2	Y3	Y4	Y5	Cumulative %
85%	30%	50%	60%	70%	5.4

The total implied value at the time of setting up the agreement can be determined by multiplying the probability of completion of the JV by the JV terms, plus any immediate cash consideration. This figure is also used to determine the unit area value for the JV, as input to the valuation. As with any market based method, it is important to assess the comparability of the JVs to the project being assessed, and make a judgement as to the appropriate figures to apply in each specific example.

SRK reviewed early-stage uranium exploration transactions in Australia over the past five years. Some 7 project transactions after the Fukushima nuclear disaster (11/03/2011) were identified using the Intierra, SNL and Metals Economics Group (MEG) databases, as summarised in Table 5-6.

The transactions were analysed to arrive at a range of values on a \$/km² basis, which was then applied to the exploration tenure. The Gunbarrel Exploration Area is 399.5 km² and the MRD Exploration area has been considered to be around 545.07 km² (Total Area of Exploration Tenements minus the Total Area of Mining Licenses).

Table 5-6: Transactions identified by SRK

Date	Project Name	Commitment (A\$)	%purchased	Tenement area (km2)	Full term \$/km2
Apr-13	Stuart Shelf	2,200,000	100%	2,554	\$ 861
Sep-12	Albarta	90,000	100%	82	\$ 1,098
Jan-13	Ponton Creek	70,000	100%	181	\$ 387
Oct-12	Spinifex Uranium	50,000	100%	119	\$ 420
Aug-12	Enterprise Uranium	5,900,000	100%	5,932	\$ 995
Jul-12	Frome Basin	40,000	100%	4,572	\$ 9
Mar-12	Havilah	7,600,000	100%	6,800	\$ 1,118

From this data, the overall median (861\$/km²) and average (698\$/km²) values for the \$/km² method are utilised to provide the high and low values respectively. The mid value between the median and the average (780\$/km²) provides the number that is used to define the preferred value.

5.5 Valuation of the Gunbarrel Exploration Area

In valuing the Gunbarrel Exploration Area, SRK has considered the expenditure requirement to maintain the tenements in good standing as disclosed by EMA. SRK notes that the Multiple of Exploration Expenditures (MEE) method was not considered appropriate as EMA only recently acquired the lease and limited exploration has been completed. In addition, SRK considered the implied value of the ground holding by applying an area-based valuation factor derived from the analysis of comparative transactions.

SRK considers the Gunbarrel Exploration Area consisting of E38/2822 tenement, covering an area of 399.5 km², to be an Exploration Area as defined by the VALMIN Code. The expenditure commitment for retaining the license is A\$133,000, which is considered by SRK as a suitable minimum value for the project. The value of the Exploration Area is considered as a factor of the areal extent of the tenure. SRK has derived a factor for the valuation of the Exploration Area based on an analysis of comparable transactions. SRK has used a factor of A\$861/km² (median) to determine the high value and a factor of A\$780/km² (mid value between the median and the average) to determine the preferred value, which gives a valuation of approximately A\$300,000.

Based on SRK's analysis, SRK recommends that EMA's interest in the Gunbarrel Exploration Area comprising 399.5 km² be valued in the range A\$130,000 to A\$340,000, with a preferred value of A\$300,000.

6 Conclusion and Valuation Summary

BDO engaged SRK to prepare an Independent Technical Assessment and Valuation Report of EMA mineral assets in Australia. The Report has been undertaken under the guidelines of the VALMIN Code (2005 Edition), which incorporates the JORC Code.

SRK undertook a high level review of the EMA resources, for the purpose of determining their validity from a valuation perspective. SRK's opinion is that the Mineral Resource Estimates for Mulga Rocks Deposits do not present fatal flaws and that the stated global figures for Inferred Mineral Resources are acceptable as representation of global grades and tonnages.

All the Exploration Areas consist of exploration assets which are inherently speculative in nature, involving varying, high degrees of exploration risk.

While the VALMIN Code 2005 states that decisions as to which valuation methodology is used are the responsibility of the Expert or Specialist, where possible, SRK considers a number of methods. The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

SRK has recommended preferred values and value ranges for EMA exploration properties on the basis of declared Resources and areal extent of tenure. SRK has recommended value ranges for Pre-Development Projects and Exploration Areas on the basis of an analysis of recent comparable transactions involving uranium properties in Australia.

In the case of the Mulga Rocks Deposits Pre-Development Project, SRK has compared the \$/lb valuation factor applied to the generally accepted Yardstick factors, and considers that SRK's valuation factor is reasonable on this basis. SRK preferred value was then determined within the range of possible values obtained for each deposit, considering all the available information provided by EMA.

In the case of the Exploration Areas, SRK has considered exploration commitments and comparable transactions to arrive at a valuation range.

SRK understands there is value on EMA's 1.5% royalty on gross revenue up to a total of \$12 million involving the EMA mineral assets considered in this Valuation Report. However, SRK considers that it is not appropriate to apply production royalty valuation to exploration properties, as the financial outlook is too uncertain to value this consideration meaningfully. Therefore, SRK has not attributed a value range to the royalty. SRK believes this value is immaterial in the scheme of the proposed transaction.

No credits from other metals that could be associated to the uranium mineralisation have been taken into account in SRK's valuation due to the relative low grade and the high level of uncertainties in terms of ore metallurgy, which are common at the early stages of exploration.

SRK notes that the VALMIN Code 2005 cautions against ascribing value to licenses under application. SRK is not aware of any tenements under application or pending renewal.

SRK's recommended valuation ranges and preferred values for each project are detailed in Table 6-1. SRK has produced a Fair Market Value (as defined by VALMIN Code 2005). SRK's preferred values includes additional technical considerations related to the mineralisation, such as grade and depth. It also considers the information verbally provided by EMA management team on the results of preliminary technical studies. The review of these studies was not part of SRK scope of work.

Table 6-1: Summary of SRK's Valuation of EMA's mineral assets as at 9 May 2014

EMA's Mineral Assets Valuation	Low value (A\$M)	Preferred value (A\$M)	High value (A\$M)
Mulga Rock Deposits – Pre-Development Project	17.8	27.4	37.0
Mulga Rock Deposits – Exploration Area	0.3	0.4	0.5
Gunbarrel Project – Exploration Area	0.1	0.3	0.3
Total	18.2	28.1	37.8

Compiled by

Caue Pauli de Araujo

Senior Consultant (Geology)

Deborah Lord

Principal Consultant (Geology)

Peer Reviewed by:

Daniel Guibal

Principal Consultant (Geostatistics & Resources)

7 References

Agricola (2011). Independent Valuation of the Mineral Assets of Raisama Limited, prepared for KPMG Corporate Finance (Aust) Pty Ltd, 19pp.

CIMVAL (2003). Standards and Guidelines for Valuation of Mineral Properties, prepared by the Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum on Valuation of Mineral Properties (CIMVAL), 33pp.

Lawrence, M.J, (2012). Considerations in Valuing Inferred Resources – VALMIN Seminar Series / Perth, WA, 18/10/2011 / Brisbane, QLD, 17/04/2012. AusIMM Publication Series N°3/2012.

The Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves (The Joint Ore Reserves Committee (JORC) Code 2012 Edition). The Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

VALMIN (2005). Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports – The VALMIN Code (2005 Edition), prepared by the VALMIN Committee, 23pp.

http://www.theaustralian.com.au

Technical Reports provided by EMA:

Ambassador 2010 resources (Coffey 2010 resource report)

Ambassador, Emperor and Shogun 2009 resources (Coffey 2009 resource report)

Drillhole spacing optimisation (Coffey 2010 Memorandum)

Princess 2012 resources:

- EMA 2012 resource report
- David Wilson 2012 Spectral and Total Gamma Logging Report
- EMA QA/QC Report for 2011-2012
- EMA December 2013 PowerPoint presentation of the Mulga Rock Project.

Historical Metallurgical Results:

- Comments by Robertson Research on AMMTEC 1984 Test results
- MPL 1993-1996 Calcining and Leach Tests
- AMMTEC 2003 and 2004 Testwork.

Metallurgical Testwork by EMA:

- ANSTO 2008-2013 Studies
- AMTEL 2010 U, Base Metal and REE deportment Studies
- CSIRO 2010 Ore Characterisation Study
- ALS 2013 Physical Beneficiation Testwork
- 2013 Proposed Stage 2 Testwork
- 2013 Executive Status Report on metallurgical Testwork
- December 2013 SJ Mets Consultants EMA Metallurgical review Memorandum.

November 2010 Scoping Study (Ambassador):

November 2010 EMA Statement ("Positive Outcome for Scoping Study")

EMA Annual Reports 2011-2013

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SRK Consulting		Append	lix A
	Appendix A:	Independent Reports on Tenements	
		•	

21 May 2014



08 May 2014

Deborah Lord Principal Consultant SRK Consulting (Australasia) Pty Ltd Level 1 10 Richardson Street WEST PERTH, WA, 6005

Dear Ms Lord

ENERGY AND MINERALS AUSTRALIA LIMITED DUE DILIGENCE REPORT - TENEMENTS HELD BY CAMUCO PTY LTD AND NARNOO MINING PTY LTD - 8 MAY 2014

This due diligence report is prepared pursuant to instructions received from Xavier Moreau (General Manager) on behalf of Energy and Minerals Australia Limited ("**EMA**") received by this office on 5 May 2014.

There are seventeen (17) tenements forming part of this report and the tenements are set out in a concise schedule ("**DD Schedule**") contained in the **enclosed** Bundle of Documents for your reference.

The DD Schedule contains important particulars on the tenements examined together with comments on matters relating to tenement standing and issues that may affect operations. As per our instructions, this report has been completed in accordance with the 'VALMIN Code' (2005 Edition).

The findings contained in this report are based on an examination of the following information:

- Department of Mines and Petroleum ("DMP") Register searches;
- DMP Tengraph plans and Quick Appraisal searches; and
- Department of Aboriginal Affairs online register of Aboriginal Sites and Aboriginal Places.

The following is a summary of our findings based on information current as at 8 May 2014.

Executive Summary

In relation to the tenements the subject of this report, we are of the opinion that the tenements are in good standing with no outstanding obligations.

We submit the following general observations:

- a) All tenements held by Narnoo Mining Pty Ltd "NM" are encumbered with mortgages registered by Macquarie Bank Ltd in respect of 100/100 shares in the name of NM.
- b) All applicable rents and other fees due under the *Mining Act 1978* ("**MA**") and *Mining Regulations 1981* (*WA*) have been paid. In respect to E39/1148 to E39/1150, rent has been paid via Electronic Funds Transfer on 8 May 2014. These details have not been entered in the register as at this date.
- c) All expenditure reporting (Form 5's) requirements have been complied with as noted in the attached DD Schedule. Refer to section 8 of this report titled 'Expenditure Reporting and Compliance'.
- d) Expenditure commitments have been met on the tenements for year ending 2013. Applications for exemption from expenditure conditions in respect of E39/876 and E39/877 for year ending 27 February 2014 were lodged on 28 April 2014 and are currently pending.
- e) Mineralisation exploration reporting has been complied with in respect of the tenements. The combined group report for C215/2007 Narnoo for the year ending 2013 was lodged on 29 August 2013. The combined group report is next due on 9 July 2014.
- f) The next imminent expiry of tenements subject of this report are E39/1148, E39/1149 and E39/1150 which expire on 8 May 2014. Applications for extensions of term for a further period of 2 years were lodged with the DMP on 8 May 2014 and are currently pending.
- g) The tenements attract annual rents totalling \$344,282.40 as per the rental rates set by the DMP on 1 July 2013.
- h) The tenements are subject to an annual aggregate expenditure commitment of \$1,973,120.00.
- i) Bonds totalling \$57,000.00 are required to be maintained for due compliance with tenement conditions and these are in place by Westpac Banking Corporation.
- j) All tenements have cleared the Future Act provisions of the *Native Title Act 1993* (*Cth*) native title. There are no native title claims affecting the tenements.

Overview of Contents and Annexures of Report

The Bundle of Documents contains the following documents in support of this report:

Folio	Description of Document			
1	DD Schedule			
2	DMP Tengraph Maps			
3	DMP Mining Tenement Register Searches			
4	DMP Quick Appraisal Searches			
5	Department of Aboriginal Affairs – Registered Aboriginal Sites Searches			
6	Department of Aboriginal Affairs – Heritage Places Searches			

1. Tenement Holders

There is a total of seventeen (17) live tenements subject of this report. Of these titles:

- Two are mining leases;
- seven are exploration licences;
- · six are prospecting licences; and
- two are miscellaneous licences.

The registered holder details and status of the tenements are set out tin the table below:

Tenement	Status	Registered Holder	Interest held in Tenement		
E38/2822	Granted	Camuco Pty Ltd	100/100		
E39/876	Granted	Narnoo Mining Pty Ltd	100/100		
E39/877	Granted	Narnoo Mining Pty Ltd	100/100		
E39/1148	Granted	Narnoo Mining Pty Ltd	100/100		
E39/1149	Granted	Narnoo Mining Pty Ltd	100/100		
E39/1150	Granted	Narnoo Mining Pty Ltd	100/100		
E39/1151	Granted	Narnoo Mining Pty Ltd	100/100		
L39/193	Granted	Narnoo Mining Pty Ltd	100/100		
L39/219	Granted	Narnoo Mining Pty Ltd	100/100		
M39/1080	Granted	Narnoo Mining Pty Ltd	100/100		
M39/1081	Granted	Narnoo Mining Pty Ltd	100/100		
P39/4877	Granted	Narnoo Mining Pty Ltd	100/100		
P39/4878	Granted	Narnoo Mining Pty Ltd	100/100		
P39/4879	Granted	Narnoo Mining Pty Ltd	100/100		
P39/4880	Granted	Narnoo Mining Pty Ltd	100/100		
P39/4881	Granted	Narnoo Mining Pty Ltd	100/100		
P39/4882	Granted	Narnoo Mining Pty Ltd	100/100		

(Camuco Pty Ltd herein referred to "Camuco" and Narnoo Mining Pty Ltd herein referred to "NM").

2. Transfers

There are no pending transfers affecting any tenements.

3. Tenement Areas and Location

The tenements held by NM form part of the Narnoo Project and are located at Mulga Rocks in the 39 Mt Margaret Mineral Field in the Mt Morgans District.

E38/2822 is part of separate project and is located in the Mt Margaret Mineral Field located in the Mt Margaret District.

4. Survey

M39/1080 and M39/1081 are yet to be surveyed.

5. Mineral Rights

All tenements subject of this due diligence are granted with rights to explore for and mine all minerals except iron ore.

6. Terms and Approaching Expiries

On 10 February 2006, the *Mining Amendment Act 2004 (No. 39 of 2004)* ('MAA') came into force. Some of the primary changes affected by the MAA concern the provisions relating to the extension of terms for exploration and prospecting licences.

All tenements have been validly granted for the periods specified in the DD Schedule.

i. Exploration Licence Expiries Terms

Exploration licences applied for prior the commencement of the MAA are subject to the provisions of the legislation pre February 2006. Once these tenements are granted for an initial term of five years, the licences may be extended for two further periods of two years and in exceptional circumstances, further one year periods thereafter subject to s 61(1)(b) of the pre February 2006 MA.

E39/876, E39/877, E39/1148, E39/1149 and E39/1150 were applied for pre 10 February 2006 and are therefore subject to the pre February 2006 MA. E39/876 and E39/877 were due to expire on 27 February 2014. Applications for 1 year extensions of term were recorded on 27 February 2014 and are currently pending.

E38/2822 and E39/1551 were applied for after the commencement of the MAA and are subject to the provisions of the MA. An exploration licence applied for after 10 February 2006 will remain in force for 5 years and subject to meeting prescribed criteria, may be extended by one period of 5 years and by a further period or periods of 2 years thereafter. These licences are also subject to the requirement to relinquish 40% of their areas at the end of their sixth year.

ii. Prospecting Licence Expiries

The prospecting licences were granted on 9 December 2008 for an initial term of 4 years. Extensions of term for a further 4 years have been granted and the tenements expire on 8 December 2016.

iii. Miscellaneous Licence Expiries

Miscellaneous licence 39/193 will expire on 7 October 2030.

Miscellaneous licence 39/219 will expire on 6 December 2033.

iv. Mining Lease Expiries

The mining leases will expire on 18 July 2033.

7. Rentals and Shire Rates

The tenements attract annual rents totalling \$344,282.40 as per the rates set on 1 July 2013 by the DMP.

Please see the attached DD Schedule for a full outline of rents payable for each tenement.

To date, all rents have been paid on all titles for the 2013/2014 period.

Shire rates information has not been sought but no outstanding shire rate notices have been issued in respect of the tenements for the 2013/2014 period.

8. Expenditure Reporting (Form 5's) and Compliance

The tenements are subject to an annual aggregate expenditure commitment of \$1,973,120.00.

According to the Register there are no Form 5's overdue. Applications for exemptions from expenditure conditions in respect of E39/866 and E39/867 were lodged on 28 April 2014 and are currently pending.

9. Underlying Land Tenure and Conditions of Grant

The tenements are all located on Vacant Crown Land.

All notable conditions and endorsements imposed by the DMP are noted on the DD Schedule.

10. Clearing Permit Requirements

The Department of Environment and Conservation's Native Vegetation Map Viewer has been reviewed to ascertain if permits are required prior to commencing mining activities and if the tenements are in environmental sensitive areas.

It appears that M39/1081 is affected by an Environmental Sensitive Area and a clearing permit will need to be obtained prior to commencing mining.

11. Bonds, Annual Environmental Reporting and Mine Closure Plan Requirements

i. Bonds

Unconditional Performance Bonds totalling \$57,000.00 are required to be maintained for due compliance with the conditions of the tenements as follows:

Tenement	Current Bond Obligation
E39/877	\$23,000.00
E39/1150	\$18,000.00
L39/193	\$16,000.00
TOTAL	\$57,000.00

ii. Mining Rehabilitation Fund (MRF)

The tenement holder may be eligible to have unconditional performance bonds retired upon entering into the Mining Rehabilitation Fund (the MRF).

The MRF is compulsory from 1 July 2014. The disturbance and rehabilitation data for all granted tenements is required to be submitted to the DMP online prior to 30 June 2014 in order to avoid penalty. The MRF levy is calculated from the disturbance data reported on. The levy is calculated on a per tenement basis and where the rehabilitation liability estimate is below the \$50,000 threshold, no payment to the fund is required. Once the levy payment is received or the DMP have determined there is no levy payable, the tenement holder may be eligible to have their bonds retired.

iii. Annual Environmental Reporting

The requirement for an Annual Environmental Report ("AER") is imposed on a tenement where significant works (e.g. the time to proposed works exceeding two (2) years) are approved.

There are currently no conditions imposed against the tenements requiring lodgement of an AER.

iv. Mine Closure Planning

The requirement for a triennial Mine Closure Plan ("MCP") is imposed on a tenement in conjunction with a Mine Proposal (or equivalent) being approved. The MCP is required as a part of the Mine Proposal and each (3) years thereafter, unless DMP instructs otherwise, to be lodged that year in the month the AER falls due.

There are currently no MCP conditions imposed against mining tenements.

12. Current Dealings and Encumbrances

i. Caveats

There are no caveats affecting any of the tenements.

ii. Mortgages

All tenements held by NM are encumbered with mortgages registered by Macquarie Bank Ltd in respect of 100/100 shares in the name of NM.

The effect of a registered mortgage is that the tenement cannot be transferred or surrendered without the consent of the mortgagee.

13. Annual Mineral Exploration and Technical Reporting

All NM tenements (with the exception of E38/2822 located in a separate area) are included, for technical reporting purposes in Combined Group C215/2007 Narnoo with a due date of 9 July annually.

14. Royalties

There are no royalty obligations affecting the mining leases.

15. Native Title

All tenements have cleared the Future Act provisions of the *Native Title Act 1993 (Cth)* native title. There are no native title claims affecting the tenements.

16. Aboriginal Heritage – Registered Sites

The holder of any tenement must act in accordance with the provisions of the *Aboriginal Heritage Act 1972* and any Regulations thereunder.

Searches were undertaken on the online register of Aboriginal heritage and Heritage Places and maintained by the Western Australian Department of Aboriginal Affairs (DAA) to search for Aboriginal sites and Heritage Places located on the tenements.

The DAA searches are contained in Folios 5 and 6 of the Bundle of Documents.

The following tenements are affected by Aboriginal Sites:

Tenement	Holder	Heritage Site
E39/876	Narnoo Mining	Site ID 1985 – "MINIGWAL 2", artefacts/scatter site
	Pty Ltd	Site ID 1986 – "MINIGWAL 3", artefacts/scatter site.
E39/1149	Narnoo Mining	Site ID 1985 – "MINIGWAL 2", artefacts/scatter site
	Pty Ltd	Site ID 1986 – "MINIGWAL 3", artefacts/scatter site.
		Site ID 1987 – "MINIGWAL 4", artefacts/scatter site, Quarry
		Site ID 1988 – "MINIGWAL 5", artefacts/scatter site.
M39/1081	Narnoo Mining	Site ID 1986 – "MINIGWAL 3", artefacts/scatter site.
	Pty Ltd	

Any interference with the Sites must be in accordance with the provisions of the *Aboriginal Heritage Act (1972) WA* or the *Environment Protection and Biodiversity Conservation Act 1999.*

General Assumptions

In preparation of this report we have assumed the accuracy and completeness of the Register searches and other information sourced in relation to the tenements. The tenements held by Camuco and NM have been assessed in accordance with the VALMIN Code.

Please do not hesitate to contact us should you require further information or clarification on any aspect of this report.

Yours faithfully

April French

Lawyer

Austwide Mining Title Management Pty Ltd

SRK Consulting Client Distribution Record

SRK Report Client Distribution Record

Project Number: EMA002 Date Issued: 21 May 2014

Name/Title	Company
Sherif Andrawes	BDO

Rev No.	Date	Revised By	Revision Details
0	12/05/2014	Deb Lord	Draft Report
1	15/05/2014	Deb Lord	Draft Report
2	21/05/2014	Deb Lord	Final Report

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