



**ASCOT RESOURCES LIMITED**  
**ACN 146 530 378**

**NOTICE OF ANNUAL GENERAL MEETING**

**TIME:** 9.30am (Perth time)  
**DATE:** Thursday, 27 November 2014  
**PLACE:** BDO, 38 Station St, Subiaco, Western Australia

**IMPORTANT INFORMATION**

This Notice of Annual General Meeting should be read in its entirety.

If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting, please contact the Company Secretary on (+61 8) 9381 4534

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the Annual General Meeting of Shareholders will be held at 9.30am (Perth time) on Thursday, 27 November 2014 at BDO, 38 Station Street, Subiaco Western Australia 6008.

### ORDINARY BUSINESS

#### Financial Reports

To receive and consider the annual financial report, the Directors' report and the Auditor's report for the year ended 30 June 2014.

#### Resolution 1 – Re-election of Director – Paul Kopejtko

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

*"That, for the purpose of rule 13.2 of the Constitution and for all other purposes, Mr Paul Kopejtko, a Director, retires by rotation, and being eligible, is re-elected as a Director."*

#### Resolution 2 – Election of Director – James McClements

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

*"That, Mr James McClements, being a Director appointed since the last Annual General Meeting and who offers himself for election pursuant to rule 13.3 of the Company's Constitution, be elected as a Director of the Company."*

#### Resolution 3 – Election of Director – Shahb Richyal

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

*"That, Mr Shahb Richyal, being a Director appointed since the last Annual General Meeting and who offers himself for election pursuant to rule 13.3 of the Company's Constitution, be elected as a Director of the Company."*

#### Resolution 4 – Election of Director – Nathan Featherby

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

*"That, Mr Nathan Featherby, being a Director appointed since the last Annual General Meeting and who offers himself for election pursuant to rule 13.3 of the Company's Constitution, be elected as a Director of the Company."*

#### Resolution 5 – Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the financial year ended 30 June 2014, be adopted."*

The Remuneration Report forms part of the Director's Report included in the Company's 2014 Annual Report at pages 24 to 29.

The vote on Resolution 5 is advisory only and does not bind the Directors or the Company.

**Voting Prohibition Statement:** A vote on Resolution 5 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution as a proxy if the vote is not cast on behalf of a person described in sub-paragraphs (a) and (b) above and either:

- (a) the person holds a directed proxy; or
- (b) the person is the Chair of the meeting and the proxy:
  - (i) is undirected; and
  - (ii) expressly authorises the Chair of the meeting to exercise the proxy even though the Resolution is connected with the remuneration of members of the Key Management Personnel of the Company.

## **SPECIAL BUSINESS**

### **Resolution 6 – Approval of 10% Placement Capacity**

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

*“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the Shares on issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 6 by any person who may participate in the issue of Equity Securities under Resolution 6 and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 6 is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### **Resolution 7 – Approval for the issue of Shares to Resource Capital Fund V L.P. (RCF V)**

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

*“That for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for:*

- (a) the Company to issue the Tranche 2 Shares to RCF V pursuant to the Placement Agreement between the Company and RCF V dated 4 September 2014; and*
- (b) RCF V and its Associates to increase their voting power in the Company to a maximum of 25.07%,*

*on the terms set out in the Explanatory Memorandum.”*

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

**Independent Experts Report:** Shareholders should carefully consider the Independent Experts Report prepared by BDO accompanying the Explanatory Memorandum as Annexure A. The Independent Experts Report comments on the fairness and reasonableness of the proposed issues to RCF and has determined that the issues are **NOT FAIR BUT REASONABLE** to non-associated Shareholders.

## EXPLANATORY STATEMENT

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

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

## ENTITLEMENT TO VOTE

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 5.00pm (Perth time) on Monday 24 November 2014.

## PROXIES

### *Appointing a proxy*

Each Shareholder that is entitled to attend and vote is entitled to appoint a proxy. The proxy does not need to be a Shareholder. A Shareholder that is entitled to cast two or more votes may appoint not more than two proxies to attend and vote on its behalf. The person or persons so appointed need not necessarily be Shareholders. Where two proxies are appointed, each proxy should be appointed to represent a specified portion or number of the Shareholder's voting rights (failing which each appointee will be entitled to cast half the Shareholder's votes).

A Proxy Form together with instructions on how to complete the Proxy Form is attached.

To vote by proxy, please complete and sign the Proxy Form and return by:

- (a) post to Ascot Resources Limited at 512 Hay Street, Subiaco, Western Australia 6008; or
- (b) facsimile to the Company on facsimile number (+61 8) 9380 6440; or
- (c) email to [info@ascotresources.com](mailto:info@ascotresources.com).

To be valid, properly completed proxy forms must be received by the Company no later than 48 hours before the Meeting.

If you return your Proxy Form but do not nominate a person as proxy, the Chairman of the Meeting will be your proxy and will vote on your behalf as you direct on the Proxy Form. If your nominated proxy does not attend the Meeting then your proxy will revert to the Chairman of the Meeting and he will vote on your behalf as you direct on the Proxy Form.

*Transfer of Non-Chairman proxy to Chairman in certain circumstances*

Section 250BC of the Corporations Act provides that, if all of the following criteria (a) to (d) are met:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (b) the appointed proxy is not the Chairman of the meeting;
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
  - (i) the proxy is not recorded as attending the meeting; or
  - (ii) the proxy does not vote on the resolution,

then the Chairman of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

*Proxy restrictions regarding Resolution 5*

The Chairman of the meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions, including (to the extent permitted by law) Resolution 5 (Remuneration Report). If you wish to appoint the Chairman of the meeting as proxy without giving a direction as to how to vote on Resolution 5, but do not wish to authorise him to vote the undirected proxy in his discretion, please delete the relevant words from the proxy form.

Apart from the Chairman of the meeting, if you appoint any other Director of the Company, any other member of Key Management Personnel or any of their Closely Related Parties to be your proxy (**KMP Proxy**) and you wish to vote on Resolution 5, then you must direct your KMP Proxy how to vote on Resolution 5. If you do not give a direction to your KMP Proxy as to how to vote on Resolution 5, your KMP Proxy cannot exercise your vote.

*Corporate Representative*

A body corporate Shareholder may elect to appoint a representative, rather than appoint a proxy, in accordance with section 250D of the Corporations Act. Where a body corporate appoints a representative, the Company requires written proof of the representative's appointment to be lodged with or presented to the Company before the Meeting.

**By order of the Board**



**Chris Foley**  
**Company Secretary**

**DATED: 15 October 2014**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9.30am (Perth time) on Thursday, 27 November 2014 at BDO, 38 Station Street, Subiaco, Western Australia 6008.

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

Terms and abbreviations used in this Explanatory Statement are defined in the Glossary.

### ORDINARY BUSINESS

#### Financial Reports

The Corporations Act 2001 requires:

- the reports of the Directors' and Auditor; and
- the annual financial report, including the financial statements of the Company for the year ended 30 June 2014,

to be laid before the Annual General Meeting. Neither the Corporations Act nor the Constitution requires a vote of Shareholders on the reports or statements. However, Shareholders will be given an opportunity to raise questions or comments on the management of the Company.

A reasonable opportunity will be given to Shareholders who are entitled to vote at the meeting to ask the Company's auditor (Pitcher Partners) questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

#### Resolution 1 – Re-Election of Director – Paul Kopejtko

Mr Kopejtko retires by rotation and, being eligible, offers himself for re-election.

Mr Kopejtko has previously been associated with a number of Australian listed companies, most notably Murchison Metals Limited (**Murchison**), where he was a founding director, shareholder and former Executive Chairman. Under Mr Kopejtko's leadership, Murchison successfully developed the Jack Hills Iron Ore Stage 1 mine producing 2 million tonnes per annum of high grade iron ore.

Mr Kopejtko has a Bachelor's Degree in Chemical Engineering and is a member of the Australian Institute of Company Directors.

The Board (excluding Mr Kopejtko) recommends that Shareholders vote in favour of the re-election of Mr Kopejtko.

The Chairman of the meeting intends to vote undirected proxies in favour of the re-election of Mr Kopejtko.

#### Resolutions 2 to 4 – Election of Directors

Rule 13.4 of the Company's Constitution requires that a Director who was appointed since the last Annual General Meeting will cease to hold office at the next Annual General Meeting of the Company but is eligible for election at that meeting.

Accordingly, Messrs McClements, Richyal and Featherby who were appointed as Directors since the Company's 2013 Annual General Meeting retire and offer themselves for election as Directors.

Details of the persons who offer themselves for election as Directors pursuant to resolutions 2 – 4 are set out below.

**(a) James McClements**

Mr McClements co-founded Resource Capital Funds (RCF) in 1998 and oversees all aspects of RCF as Managing Partner. RCF currently manages US\$2.8 billion in investments and raised US\$2.04 billion for its sixth fund. RCF has provided financial support to 123 mining companies involving projects located in 42 countries and relating to 29 different commodities.

Prior to launching RCF, Mr McClements was a natural resources sector banker with N.M. Rothschild in Australia and USA, and with Standard Chartered Bank. Mr McClements is an Honours graduate in Economics from the University of Western Australia and serves on the board of Directors of RCF portfolio company, Global Advanced Metals Pty Ltd as Chairman.

**(b) Shahb Richyal**

Mr Richyal is a member of the principal investments (and acquisition financing) team at Gunvor Group. He is currently based in Singapore and responsible for the Asia Pacific region. Mr Richyal has over 10 years of professional experience, the majority of which has been covering the natural resources sector in a principal investment, M&A and capital markets advisory capacity. Prior to joining Gunvor Group in 2012, Mr Richyal held positions with Morgan Stanley (Investment Banking Division), Dresdner Kleinwort (Strategic Advisory & M&A) and PricewaterhouseCoopers.

Mr Richyal is a qualified chartered accountant (member of the Institute of Chartered Accountants of Scotland) and holds a MChem with Honours from the University of Oxford.

**(c) Nathan Featherby**

Mr Featherby is the Executive Chairman of Ochre Group Holdings Ltd. He holds a Bachelor of Commerce degree from Curtin University and has spent most of his working career in stockbroking and merchant banking with a focus on small to medium mining and exploration companies.

The Board recommends that Shareholders vote in favour of the election of each of the Directors.

The Chairman of the meeting intends to vote undirected proxies in favour of the election of each Director.

**Resolution 5 – Adoption of Remuneration Report**

The Remuneration Report sets out the Company's remuneration arrangements for Directors and senior management and is set out in the Directors' report in the Company's 2014 Annual Report.

The Corporations Act requires companies to put a resolution to their Shareholders that the Remuneration Report be adopted. Under section 250R(3) of the Corporations Act, the vote on the resolution is advisory only and does not bind the Directors or the Company.

Shareholders will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report at the Annual General Meeting. The Board will consider the outcome of the vote on Resolution 5 and comments made by Shareholders on the Remuneration Report at the Annual General Meeting, when reviewing the Company's remuneration policy.

The Company encourages all shareholders to cast their votes on Resolution 5.



The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 5.

*Under the Corporations Act, if 25% or more of votes cast on Resolution 5 at the Annual General Meeting are against the adoption of the Remuneration Report, and this occurs again at the Company's 2015 Annual General Meeting in relation to the remuneration report considered at that meeting, the following sequence of events will occur:*

- The Company will be required to put to Shareholders at the 2015 Annual General Meeting a resolution (Spill Resolution) proposing that a general meeting of shareholders be called to consider the appointment of directors of the Company.*
- If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company will be required to convene the general meeting (Spill Meeting) within 90 days after the 2015 Annual General Meeting.*
- All of the Directors who were in office when the 2015 Directors' Report was approved by the Board, other than the Managing Director of the Company (if any), will cease to hold office immediately before the end of the Spill Meeting but can stand for re-election at the Spill Meeting.*
- Following the Spill Meeting those persons whose election or re-election as Directors is approved at the Spill Meeting will be the Directors of the Company.*

## **SPECIAL BUSINESS**

### **Resolution 6 – Approval of 10% Placement Capacity**

#### ***General***

Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval to allow it to issue Equity Securities up to 10% of its issued capital over a period of up to 12 months after the annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

The number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (described further below).

If passed, the effect of Resolution 6 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Annual General Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 6 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 6 for it to be passed.

#### ***Listing Rule 7.1A***

Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and

- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a market capitalisation of \$19,697,153<sup>1</sup>.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has only one class of quoted Equity Securities on issue, being ordinary shares.

The exact number of Equity Securities that the Company may issue pursuant to an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (a) plus the number of Shares issued in the previous 12 months under an exception in Listing Rule 7.2;
  - (b) plus the number of partly paid shares that became fully paid in the previous 12 months;
  - (c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under this rule; and
  - (d) less the number of Shares cancelled in the previous 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under Listing Rule 7.1 or 7.4.

***Technical information required by Listing Rule 7.1A***

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to this Resolution 6:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of this date, the date on which the Equity Securities are issued.

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<sup>1</sup> As at 10 October 2014

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

Shareholder approval under Listing Rule 7.1A does not lapse if the Company's market capitalisation subsequently exceeds \$300 million or if it is included in the S&P/ASX 300 Index at some time during that period provided that the Company meets those criteria on the date of the AGM.

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 6 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.075 (50% decrease in Share price)	\$0.15 (Current Share price (as at 10 October 2014))	\$0.225 (50% increase in Share price)
<b>131,314,356 (Current)</b>	<b>Shares issued</b>	13,131,436	13,131,436	13,131,436
	<b>Funds Raised</b>	\$984,858	\$1,969,715	\$2,954,573
<b>196,971,534 (50% increase)*</b>	<b>Shares issued</b>	19,697,153	19,697,153	19,697,153
	<b>Funds Raised</b>	\$1,477,287	\$2,954,573	\$4,431,860
<b>262,628,712 (100% increase)*</b>	<b>Shares issued</b>	26,262,871	26,262,871	26,262,871
	<b>Funds Raised</b>	\$1,969,715	\$3,939,431	\$5,909,146

**Note:** \*The number of Shares on issue (**variable A** in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

**Assumptions:**

1. The Number of Shares on Issue is current as at 10 October 2014.
2. The issue price set out above is the closing price of the Shares on the ASX on 15 October 2014.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the previous 12 months that were not issued under an exception in Listing Rule 7.2 or with approval under Listing Rule 7.1.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

**(d) Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's current assets and general working capital; or

- (ii) as non-cash consideration for the acquisition of new resources, assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

(e) **Allocation under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the applicable Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the allottees under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous Approval under Listing Rule 7.1A**

The Company has previously obtained approval under Listing Rule 7.1A at its 2013 annual general meeting held on 28 November 2013. As at the date of this Notice, in the 12 months preceding 10 October 2014, the Company has issued a total of 111,444,280 Equity Securities<sup>2</sup>, representing 561% of the total Equity Securities on issue at the commencement of the 12 month period preceding this Notice.

Details of all issues of Equity Securities by the Company during the 12 months preceding 10 October 2014 are set out in **Schedule 1 and 1A** to this Notice of Meeting below.

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<sup>2</sup> This figure excludes the issue of 50,000,000 Executive Incentives to Messrs. Paul Kopejtka and Andrew Caruso as approved by shareholders at the Company's EGM in May 2014. Vesting of these incentives is contingent on satisfaction of a number of Wonmunna project-related criteria.

### ***Voting Exclusion***

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 6.

### ***Directors' recommendation***

The Directors recommend that Shareholders vote in favour of Resolution 6.

### **Resolution 7 – Approval for the issue of Shares to Resource Capital Fund V L.P. (RCF V)**

#### **(a) Background**

Shareholders are asked to consider a resolution to approve the issue of Shares to RCF V which, if all of the Shares that could be issued, are issued, will result in the voting power of RCF V and its Associates in the Company increasing to 25.07%.

On 17 May 2013 the Company issued an unsecured loan note to RCF V (May 2013 Note) to raise \$1.22 million.

The terms of the May 2013 Note are detailed in a Notice of Extraordinary General Meeting dated 29 May 2013. At a General Meeting of Shareholders held on 4 July 2013 to consider the resolutions in that Notice, Ascot shareholders approved resolutions:

- a. Authorising the May 2013 Note to be convertible into Shares; and
- b. Authorising the issue of Shares in satisfaction of interest payable under the May 2013 Note.

On 17 December 2013 the Company issued a second unsecured loan note to RCF V (December 2013 Note) to raise \$400,000.

The terms of the December 2013 Note are detailed in a Notice of Extraordinary General Meeting dated 22 April 2014. At a General Meeting of Shareholders held on 23 May 2014 to consider the resolutions in that Notice, Ascot shareholders approved resolutions:

- a. Authorising the December 2013 Note to be convertible into Shares; and
- b. Authorising the issue of Shares in satisfaction of interest payable under the December 2013 Note.

On 18 March 2014 the Company announced that it had entered into an agreement to acquire the Wonmunna Iron Ore Project (**Wonmunna Project**) from Ochre Group Holdings Ltd (**Ochre**) and that RCF V had agreed to invest A\$5m at \$0.25 per share (subject to final due diligence).

On 4 September 2014, the Company and RCF V executed a Placement Agreement pursuant to which RCF V agreed to subscribe for 20m Shares (at an issue price of \$0.25 each) in two tranches. The first tranche of 18,803,235 shares (**Tranche 1 Shares**) was issued to RCF V on completion of the acquisition of the Wonmunna Project which occurred on 22 September 2014.

Following the issue of the Tranche 1 Shares, RCF V and its Associates held a voting interest in Ascot of 19.99%. As the issue of any of:

- The Tranche 2 Shares (comprising 1,196,765 Shares) to RCF V under the Placement Agreement;
- The issue of Shares in lieu of interest payable under the Convertible Notes; or
- The issue of Shares on the conversion of the Convertible Notes,

will result in the voting interest of RCF V and its Associates in the Company exceeding 20%, approval of Shareholders is sought to permit the Company to issue Shares that would result in RCF V and its Associates increasing their voting power in the Company to 25.07% (**Maximum Percentage**).

The Maximum Percentage is based upon several assumptions outlined in the Independent Experts Report and **Schedule 2** - the actual level of voting power that may be obtained by RCF V and its Associates may be lower depending upon the prevailing circumstances and future share prices.

The Board believes that the continued support of RCF V (and its Associates) as a strategic cornerstone investor in Ascot is beneficial to all Shareholders.

#### **(b) Independent Expert's Report**

To assist Shareholders in deciding how to vote on Resolution 7, the Board engaged BDO Corporate Finance (WA) Pty Ltd (**BDO**) to prepare an Independent Expert's Report (**IER**). The IER opines on whether or not the issue of the Tranche 2 Shares and the issue of Shares under the Convertible Notes are 'fair and reasonable' to Shareholders who are not associated with RCF V.

For the purposes of the IER, BDO commissioned CSA Global to carry out a technical valuation of the Womunna Project and HDR Salva to carry out a technical valuation of Ascot's Titiribi Coal Project in Colombia (**Technical Reports**).

The Independent Expert's Report has been prepared in order to satisfy the requirements for Shareholder approval under item 7 of section 611 of the Corporations Act.

BDO has concluded that the potential Share issues are not fair but reasonable to the Company's Shareholders (excluding any Shareholder associated with RCF V). Under ASIC guidance, in essence, the 'fairness' assessment by BDO in respect of the transaction set out in this Notice is based solely on a financial comparison of the consideration received by the Company against the value of shares to be acquired, while an assessment of 'reasonableness' is based on all relevant circumstances.

Complete copies of the IER and the Technical Reports are provided with the Notice of Meeting and are also available on the Company's website at [www.ascotresources.com](http://www.ascotresources.com). Shareholders who have received a copy of this Notice electronically may request a hard copy of the IER and the Technical Reports from the Company at no cost by contacting the Company by telephone on +61 8 9381 4534.

BDO has consented to the use of their Independent Expert's Report, and the opinion which it contains, in the form and context used in the Notice of Meeting and this Explanatory Memorandum.

CSA Global and HDR Salva have each consented to the use of their respective Technical Reports in the form and context used in the Notice of Meeting and this Explanatory Memorandum.

#### **(c) Directors' recommendation**

The Board (other than Mr McClements, who is associated with RCF V and has therefore decided not to make a recommendation) approved the proposal to put Resolution 7 to Shareholders and intend to vote those Shares which they hold in favour of Resolution 7. Those Directors also recommend that Shareholders vote in favour of Resolution 7.

The Board has made this recommendation due to the strategic benefits that the enhanced relationship with RCF V brings.

**(d) Background to the Convertible Notes**

On 17 May 2013 the Company issued an unsecured loan note to RCF V (**May 2013 Note**) to raise \$1.22 million. The note is unsecured and is repayable in full on 17 May 2015 unless redeemed by the Company or converted into Shares prior to that date. The note bears interest at a rate of 14% per annum payable quarterly in arrears. RCF V has the right but not the obligation to convert all or any of the principal outstanding under the May 2013 Note into shares at a conversion price of \$0.36 per share.

The terms of the May 2013 Note are described in more detail in a Notice of Extraordinary General Meeting dated 29 May 2013 (**May Notice**).

At a General Meeting of Shareholders held on 4 July 2013 to consider the resolutions in the May Notice, Ascot shareholders approved resolutions:

- (i) Authorising the May 2013 Note to be convertible into Shares; and
- (ii) Authorising the issue of Shares in satisfaction of interest payable under the May 2013 Note.

On 17 December 2013 the Company issued a second unsecured loan note to RCF V (**December 2013 Note**) to raise \$400,000. The note is unsecured and is repayable in full on 17 May 2015 unless redeemed by the Company or converted into Shares prior to that date. The note bears interest at a rate of 14% per annum payable quarterly in arrears. RCF V has the right but not the obligation to convert all or any of the principal outstanding under the December 2013 Note into shares at a conversion price of \$0.12 per share.

The terms of the December 2013 Note are described in more detail in a Notice of Extraordinary General Meeting dated 22 April 2014. At a General Meeting of Shareholders held on 23 May 2014 to consider the resolutions in that notice, Ascot shareholders approved resolutions:

- (i) Authorising the December 2013 Note to be convertible into Shares; and
- (ii) Authorising the issue of Shares in satisfaction of interest payable under the December 2013 Note.

The Directors note that shareholder approval for the issue of Shares under the Convertible Notes was previously obtained and as such the Company does not need to seek further approval. However the Convertible Notes are still relevant to Resolution 7 as any issue may affect the voting power of RCF V and its Associates and for this reason the Directors have elected to include a summary here. Shareholder should also have reference to the Independent Experts Report of BDO included with this Notice.

**(e) The issue of Shares under the Convertible Notes**

The circumstances under which the Company may issue Shares to RCF V under the Convertible Notes are:

- (i) Satisfaction of interest – the Company may elect to satisfy interest payments by the issue of shares, a combination of shares and cash or cash only. If the Company elects to issue shares the number of shares to be issued will depend on the amount of interest payable. The issue price of the shares is the 10 day VWAP of the Company's Shares traded on ASX calculated on the day before the relevant interest payment date is due.
- (ii) Conversion of Notes – the Convertible Notes may be converted by RCF V at any time up to the 17 May 2015 (**Maturity Date**). The number of Shares to be issued on conversion is calculated by dividing the amount outstanding under the relevant Convertible Note at



the time of conversion by a fixed conversion price of \$0.36 under the May 2013 Note and \$0.12 under the December 2013 Note.

**(f) Background to the issue of the Tranche 2 Shares**

On 18 March 2014 the Company announced that it had entered into an agreement to acquire the Wonmunna Iron Ore Project from Ochre Group Holdings Ltd (Ochre) and that RCF V had agreed to invest A\$5m at \$0.25 per share (subject to final due diligence and required approvals).

On 4 September 2014, the Company and RCF V executed a Placement Agreement pursuant to which RCF V agreed to subscribe for 20,000,000 Shares (at an issue price of \$0.25 each) in two tranches. The first tranche of 18,803,235 shares (Tranche 1 Shares) was issued to RCF V on completion of the acquisition of the Wonmunna project which occurred on 22nd September 2014.

Following the issue of the Tranche 1 Shares, RCF V and its Associates held voting power of 19.99% in the Company. Consequently, the issue of the Tranche 2 Shares (which would cause the voting power of RCF V and its Associates to exceed 20% and breach section 606(1) of the Corporations Act) is conditional on shareholders giving approval for RCF V to increase its voting power to more than 20%.

**(g) Advantages if Resolution 7 is approved**

The key advantages to Shareholders if Resolution 7 is approved are:

- RCF V will provide a cash injection of \$299,191 for the Tranche 2 Shares providing the Company with additional working capital.
- The issue of Shares in lieu of interest payments under the Convertible Notes or on conversion of the Convertible Notes, will preserve the Company's cash resources which may be used to progress the development of the Company's projects.
- The continued involvement of RCF V as a strategic investor in the Company.
- The conversion of the Convertible Notes would increase RCF V's overall interest in the Company which would generally be expected to further incentivise RCF V to work towards the future success of the Company.

**(h) Disadvantages if the Resolution is approved**

RCF V will obtain increased voting power in the Company. As a consequence:

- RCF V may have a greater degree of influence over the Board;
- the percentage voting power of Shareholders who are not associated with RCF V will be reduced if and when the Tranche 2 Shares are issued or Shares are issued in lieu of interest payments under the Convertible Notes or upon conversion of the Convertible Notes;
- RCF V's significant shareholding may reduce any takeover premium being factored into the price of Shares; and
- RCF V's fully diluted equity interest may discourage other investors from acquiring further Shares, which would result in a decrease in liquidity of Shares on ASX.

Shareholders should further consider the IER from BDO included with this Notice for other relevant advantages and disadvantages of the Resolution and the impact this may have on their shareholding.

**(h) Financial impact if Resolution 7 is approved**

If Resolution 7 is approved by Shareholders, the primary financial impact will be an increase in cash assets by \$299,191. If shares are issued in lieu of all interest payments under the Convertible Notes and RCF elects to convert the Convertible Notes to shares, there will be a decrease of \$1.8 million in the current liabilities of the Company (being the total of the principal and interest payable under the Convertible Notes if resolution 7 is not approved). The conversion of the Convertible Notes is at the election of RCF V and there is no obligation on RCF V to convert the Convertible Notes.

**(i) Financial impact if Resolution 7 is not approved**

If Resolution 7 is not approved, the Company will be deprived of \$299,191 (being the subscription price for the Tranche 2 Shares) and will be required to make interest payments under the Convertible Notes in cash totalling \$200,000. Further, on the Maturity Date (17 May 2015) the Company will be required to pay the principal outstanding under the Convertible Notes totalling \$1.62million. These cash payments would reduce the Company's cash reserves by a total of \$1.8 million which may result in some of the work planned by the Company to progress the Wonmunna project being cancelled or deferred. It could also potentially require the Company to consider alternative sources of finance that may include a potentially dilutive capital raising or third party finance. There is no guarantee that the Company would be able to raise sufficient funds through either process or that any funds raised would be on favourable terms.

**(j) RCF V's intentions regarding the Company**

RCF V has confirmed that it has no intention to:

- make any change to the business of the Company;
- inject any further capital into the Company, however RCF V will continue to monitor the financial position of the Company and reserves the right to inject further capital into the Company should it be required, subject to any required Shareholder approvals;
- make changes to the Company's existing employees;
- transfer any of the Company's assets between the Company and RCF V or its Associates;
- redeploy any of the Company's fixed assets;

The statements set out above are statements of RCF V's current intention only and may vary as new information becomes available or circumstances change. RCF V has provided the Company with the information above to assist it to meet its obligations under ASIC Regulatory Guide 74.

The Company takes no responsibility for any omission from, or any error or false or misleading statement in this section.

**(k) Reasons for seeking shareholder approval**

***Corporations Act***

As illustrated in **Schedule 2** below, RCF V's voting power in the Company may increase to over 20% pursuant to the issue of Shares under the Convertible Notes and on the issue of the Tranche 2 Shares.

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting securities in a listed company if 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 that transaction, that person's or someone else's voting power increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% to 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. The exception provides that a person may acquire a relevant interest in a company's voting shares that would otherwise breach section 606(1) of the Corporations Act if shareholders of the company approve the transaction.

The Company is seeking the approval of Shareholders under Resolution 7 to ensure that the Company may issue Shares to RCF V in accordance with the terms of the Convertible Notes and to issue the Tranche 2 Shares to RCF V, irrespective of whether this would increase the voting power of RCF V and its Associates in the Company above the 20% threshold.

Based on the information available, including that contained in this Explanatory Memorandum all of the Directors (except for Mr McClements who due to his relationship with RCF V expresses no view on Resolution 7) consider that Resolution 7 is in the best interests of the Company and recommend Shareholders vote in favour of Resolution 7.

## **(l) Additional information required by the Corporations Act and ASIC Regulatory Guide**

For the exemption in item 7 of section 611 of the Corporations Act to apply, shareholders must be given all information known to the person proposing to make the acquisition or their Associates, or known to the company, that is material to the decision of how to vote on the resolution. In ASIC Regulatory Guide 74, ASIC has indicated what additional information should be provided to Shareholders in these circumstances.

In addition to the information already outlined above and the Independent Expert's Report, the following information is provided to Shareholders in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 in relation to the Resolution.

## **(m) Details regarding RCF V**

The Company will issue Shares to RCF V in accordance with the terms of the Convertible Notes and the Placement Agreement (in respect to the Tranche 2 Shares).

Resource Capital Funds (**RCF**) are private equity funds with mandates to make investments exclusively in the mining sector across a diversified range of hard mineral commodities and geographic regions. The funds are managed by RCF Management L.L.C. which has its principal office in Denver and additional offices in Perth, New York (Long Island) and Toronto. RCF pioneered the concept of mining-focused private equity funds and strives to produce superior returns to its investors, portfolio companies and fellow equity investors. Since inception, RCF has supported 123 mining companies (and several mining-services companies) involving projects located in 42 countries and relating to 29 commodities.

RCF has experience in building management teams specifically suited to develop and or operate assets and has the resources and networks to draw upon top talent from around the world. In addition to providing financing, RCF has the in-house technical and financial expertise to actively guide a mining company's management team through the process of raising capital in the public equity and project financing markets. RCF's management team consists of individuals with extensive commercial and technical experience in the mining industry.

RCF is currently investing its sixth fund, Resource Capital Fund VI L.P., with committed capital of US\$2.04 billion and currently manages three other active private equity funds, being Resource Capital Fund V L.P., Resource Capital Fund IV L.P. and Resource Capital Fund III L.P. The Funds' committed capital is sourced primarily from US-based institutional investors. Further information about RCF can be found on its website [www.resourcecapitalfunds.com](http://www.resourcecapitalfunds.com).

RCF V is regarded as a foreign person and as such has sought and obtained a no objection letter from the Foreign Investment Review Board in relation to its current shareholding. RCF V has notified the Company that it intends to seek another no objection letter in relation to any increased shareholding it may obtain in the Company.

RCF V is represented on the Board by Mr James McClements.

**(n) Effect on the voting power of RCF V and its Associates**

**Schedule 2** sets out the indicative number of Shares that RCF V and its Associates will acquire in the Company and the corresponding effect on its voting power and the capital structure of the Company (on the basis of the assumptions set out in the notes) as a result of the various share issues contemplated by the Convertible Notes and the issue of the Tranche 2 Shares. The actual number of Shares is likely to vary based on the application of the terms of the Convertible Notes.

By way of summary (please refer to **Schedule 2** for a more detailed analysis):

- As at the date of this Explanatory Memorandum, RCF V and its Associates hold 26,246,520 Shares which equates to voting power of 19.99%.
- Assuming that (i) the Conversion Price under the May 2013 Note is \$0.36 (ii) the Conversion Price of the December 2013 Note is \$0.12 and (iii) the Ascot Share price remains constant at \$0.20 (being approximately the closing 10-day VWAP of the Company's shares on the ASX on 30 September 2014) until the Maturity Date of the Convertible Notes, the voting power of RCF V and its Associates could increase by a maximum of 5.08% by the issue of Shares in lieu of interest payments under the Convertible Notes, the conversion of the Convertible Notes and the issue of the Tranche 2 Shares.

Accordingly, under Resolution 7, Shareholders are being asked to approve the potential for RCF V and its Associates to increase their voting power in Ascot up to a maximum of 25.07% (**Maximum Percentage**) by the issue of Shares in lieu of interest payments under the Convertible Notes, the conversion of the Convertible Notes and the issue of the Tranche 2 Shares.

Regardless of any change in the circumstances relevant to the Convertible Notes and the Placement Agreement, the issue of shares in lieu of interest payments under the Convertible Notes, the conversion of the Convertible Notes and the issue of the Tranche 2 Shares will be valid, provided that the voting power of RCF V and its Associates remains below the Maximum Percentage.

If circumstances change and the voting interest of RCF V and its Associates increases as a result of an acquisition of Shares other than under the Convertible Notes or the Placement Agreement (e.g. by way of taking up its rights under a rights issue), if Resolution 7 is approved, this will not affect the right for RCF V and its Associates to increase their voting power in the Company up to the Maximum Percentage.

In other words, the interest of RCF V and its Associates must not exceed the Maximum Percentage (without further Shareholder approval) but how they obtains Shares up to the Maximum Percentage is irrelevant – it can be through Shares issued under the Convertible Notes, the Placement Agreement or otherwise.

If Resolution 7 is passed, the Company will include a statement in subsequent Annual Reports reminding Shareholders of the approval granted to RCF V and its Associates to increase their voting power in the Company to the Maximum Percentage.

**(o) Details of other relevant agreements between RCF V and its Associates, and Ascot, that are conditional on Shareholder approval**

There are no contracts or proposed contracts between RCF V (or any of its Associates) and the Company that are conditional on, or directly or indirectly dependent on, Shareholder approval of the issue of Shares to RCF V under the Convertible Notes or the issue of the Tranche 2 Shares under the Placement Agreement.

**(p) Interests of Directors**

Other than Mr McClements, whose employer is an RCF entity, no Director has any interest in the Convertible Notes or the Placement Agreement.

**(q) Nominee Directors**

RCF V's current intention is that Mr McClements will remain as RCF V's representative on the Board.

Mr McClements co-founded Resource Capital Funds (RCF) in 1998 and oversees all aspects of RCF as Managing Partner. RCF currently manages US\$2.8 billion in investments and raised US\$2.04 billion for its sixth fund. RCF has provided financial support to 123 mining companies involving projects located in 42 countries and relating to 29 different commodities.

Prior to launching RCF, Mr McClements was a natural resources sector banker with N.M. Rothschild in Australia and USA, and with Standard Chartered Bank. Mr McClements is an honors graduate in Economics from the University of Western Australia and serves on the board of Directors of RCF portfolio company, Global Advanced Metals Pty Ltd as Chairman.

Other than his association with RCF V and its Associates, Mr McClements has no current association with the Company.

**(r) ASX Listing Rule 7.1**

Subject to certain exceptions, ASX Listing Rule 7.1 provides that a company may not issue more than 15% of its issued capital in any 12 month period without shareholder approval. ASX Listing Rule 7.2 provides that this restriction does not apply in certain circumstances, including in relation to an issue of securities approved for the purposes of Item 7 of section 611 of the Corporations Act.

As Shareholder approval is being sought for the issue of the Tranche 2 Shares under item 7 of section 611 of the Corporations Act, if Shareholders pass the Resolution then separate approval will not be required under ASX Listing Rule 7.1 and as such the issue of the Tranche 2 Shares will not reduce the Company's capacity to issue up to 15% of its issued capital in any 12 month period without shareholder approval.

As noted in section (d) above the Company's shareholders have approved the issue of shares in lieu of interest payments under the Convertible Notes and the conversion of the Convertible Notes into Shares at General Meetings held on 4 July 2013 and 23 May 2014. Consequently the issue of Shares under the Convertible Notes or the conversion of the Convertible Notes will not reduce the Company's capacity to issue up to 15% of its issued capital in any 12 month period without shareholder approval.

**(s) ASIC and ASX's role**

The fact that the accompanying Notice of Meeting, this Explanatory Memorandum and other relevant documentation has been received by ASX and ASIC is not to be taken as an indication of the merits of the Resolutions or the Company. ASIC, ASX and their respective officers take no responsibility for any decision a Shareholder may make in reliance on any of that documentation.

**(t) Other information**

Neither the Company nor the Directors are aware of any additional information not set out in this Explanatory Memorandum or the Independent Expert's Report that would be relevant to Shareholders in deciding how to vote on the Resolution.

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## GLOSSARY

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**10% Placement Capacity** has the meaning given on page 9 of the Explanatory Statement.

**\$** means Australian dollars.

**Annual General Meeting** or **Meeting** means the annual general meeting convened by the Notice.

**Associate** has the meaning given in section 12 of the Corporations Act.

**ASX** means ASX Limited or the Australian Securities Exchange, as the context requires.

**Board** means the current board of directors of the Company.

**closely related party** of a member of the key management personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

**Company** means Ascot Resources Limited (ACN 146 530 378).

**Convertible Notes** means the May 2013 Note and the December 2013 Note.

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

**Constitution** means the Company's constitution.

**December 2013 Note** means a loan note agreement dated 17 December 2013 as amended by amendment deeds dated 22 April 2014 and 12 September 2014 between the Company and RCF V.

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

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means this explanatory statement.

**Independent Experts Report** means the report by BDO accompanying this Notice.

**key management personnel** has the same meaning as in the accounting standards (as that term is defined in the Corporations Act). Broadly speaking this includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any Directors.

**Listing Rules** means the Official Listing Rules of ASX.

**May 2013 Note** means a loan note agreement dated 16 May 2013 as amended by amendment deeds dated 10 June 2013 and 12 September 2014 between the Company and RCF V.

**Notice or Notice of Meeting** means the notice of meeting accompanying this Explanatory Statement.

**Placement Agreement** means an agreement dated 4 September 2014 made between the Company and RCF V for the issue of 20m fully paid ordinary shares in the Company (being the total of the Tranche 1 Shares and the Tranche 2 Shares) at an issue price of \$0.25 per share.

**Proxy Form** means the proxy form accompanying the Notice of Meeting.

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

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

**Shareholder** means a holder of a Share.

**Technical Reports** means the reports of CSA Global and HDR Salva in relation to the assets of the Company accompanying this Notice.

**Tranche 1 Shares** means 18,803,235 fully paid ordinary shares in the Company.

**Tranche 2 Shares** means 1,196,765 fully paid ordinary shares in the Company.

**Wonmunna Project** is the iron project of the Company and is more fully detailed in the Technical Reports.



**Schedule 1 – Details of Equity Securities Issued in the 12 months preceding 15 October 2014 (on a consolidated basis)**

Date	Description of Allotment	Number of shares issued	Form of Consideration	Value at date of issue \$	Current value of non-cash consideration \$	Issue Price	Premium/(Discount) to market price (%)
13/11/2013	Shares issued via private share placement (a) (Sch 1a (i))	3,136,335	Cash	282,270	n/a	\$0.11	(18.2%)
28/11/2013	Shares issued to Pursuit Capital (b)	473,608	Non-cash	47,361	71,041	\$0.10	n/a
19/12/2013	Shares issued to Resource Capital Funds (c)	253,519	Non-cash	35,493	38,028	\$0.14	(28.5%)
31/12/2013	Shares issued to Resource Capital Funds (d)	371,092	Non-cash	55,664	55,664	\$0.15	(17.8%)
31/12/2013	Shares issued to Sedgman Ltd (d)	144,937	Non-cash	21,741	21,741	\$0.15	(17.8%)
17/03/2014	Executive incentives issued to Ascot Equities (e)	4,750,000	Non-cash	741,000	712,500	\$0.16	n/a
17/03/2014	Executive incentives issued to Andrew Caruso (f)	750,000	Non-cash	117,000	112,500	\$0.16	n/a
17/03/2014	Shares issued to Serviminco (g)	131,163	Non-cash	20,461	19,674	\$0.16	n/a
17/03/2014	Shares issued to Resource Capital Funds (h) (Sch 1a (ii))	4,901,961	Cash	750,000	n/a	\$0.16	(1.9%)
17/03/2014	Shares issued to Resource Capital Funds (h)	524,823	Non-cash	81,872	78,723	\$0.16	(8.3%)
8/04/2014	Shares issued to Resource Capital Funds (i)	233,909	Non-cash	42,115	35,086	\$0.18	(1.1%)
8/04/2014	Shares issued to Resource Capital Funds (i)	76,692	Non-cash	13,808	11,504	\$0.18	(1.1%)
8/04/2014	Shares issued to Sedgman Ltd (i)	95,864	Non-cash	17,253	14,380	\$0.18	(1.1%)
8/04/2014	Shares issued to Kopejtka (i)	124,624	Non-cash	22,432	18,694	\$0.18	(1.1%)
8/04/2014	Shares issued to employee (j)	125,000	Non-cash	22,500	18,750	\$0.18	n/a
20/06/2014	Shares issued via share placement (k) (Sch 1a (iii))	2,000,000	Cash	500,000	n/a	\$0.22	13.6%
20/06/2014	Shares issued via share placement (k) (Sch 1a(iv))	800,000	Cash	200,000	n/a	\$0.22	13.6%
20/06/2014	Executive Incentives issued to Andrew Caruso and Paul Kopejtka (l)	50,000,000	Non-cash	11,000,000	7,500,000	\$0.22	(90.9%)
7/07/2014	Shares issued to Resource Capital Funds(m)	289,423	Non-cash	63,673	43,413	\$0.22	(13.1%)
7/07/2014	Shares issued to Sedgman (m)	89,328	Non-cash	19,652	13,399	\$0.22	(13.1%)
7/07/2014	Shares issued to Andrew Caruso (f)	750,000	Non-cash	165,000	112,500	\$0.22	n/a
7/07/2014	Shares issued via share placement (k) (Sch 1a(v))	1,420,000	Cash	355,000	n/a	\$0.25	13.6%
17/09/2014	Shares issued via share placement (k) (Sch 1a (vi))	1,000,000	Cash	250,000	n/a	\$0.25	25.0%
23/09/2014	Shares issued to Ochre Group Holdings Ltd (n)	50,000,000	Non-cash	12,500,000	7,500,000	\$0.25	n/a
23/09/2014	Shares issued to Resource Capital Funds (o) (Sch 1a (vii))	18,803,235	Cash	4,700,809	n/a	\$0.25	25.0%
23/09/2014	Shares issued to Gunvor Group (p) (Sch 1a (viii))	19,625,811	Cash	4,906,453	n/a	\$0.25	25.0%
23/09/2014	Shares issued to F & A Sibbel Pty Ltd (q)	184,626	Non-cash	34,156	27,694	\$0.20	25.0%
3/10/2014	Shares issued via share placement (k) (Sch 1a (ix))	100,000	Cash	25,000	n/a	\$0.19	31.6%
3/10/2014	Shares issued to Resource Capital Funds (s)	74,408	Non-cash	14,115	11,161	\$0.19	(0.2%)
3/10/2014	Shares issued to Sedgman (s)	93,010	Non-cash	17,644	13,952	\$0.19	(0.2%)
3/10/2014	Shares issued to Kopejtka (s)	120,912	Non-cash	22,937	18,137	\$0.19	(0.2%)

**Notes:**

- (a) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, in respect of private share placement to sophisticated investors introduced by Pursuit Capital Pty Ltd and completed on 13 November 2013.
- (b) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, as part consideration payable to Pursuit Capital Pty Ltd for acting as lead manager in share placement completed on 13 November 2013.
- (c) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, as payment of establishment fee in respect of the December 2013 Loan Note Agreement between the Company and RCF V. The number of shares issued was calculated by reference to a \$25,000 establishment fee and using a 5% discount to the volume weighted average price (**VWAP**) of shares traded on the ASX for the 10 most recent days prior to the date of execution of the Financing Term Sheet.
- (d) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, under the terms of the Loan Note Agreements between the Company and Resource Capital Fund V L.P. and Sedgman as payment of interest for the quarter ending 31 December 2013. The number of shares issued was calculated by reference to the value of the interest payments and using a 5% discount to the VWAP of shares traded on the ASX for the 10 most recent days prior to the date that the interest became due and payable by Ascot.
- (e) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, to Ascot Equities on successful completion of Titiribi milestone 1.
- (f) Fully paid ordinary shares issued to Andrew Caruso, that rank pari passu with all other fully paid ordinary shares on issue, on successful completion of Titiribi milestone 1.
- (g) Fully paid ordinary shares issued to Serviminco, that rank pari passu with all other fully paid ordinary shares on issue, pursuant to the terms of its consultancy agreement.
- (h) Fully paid ordinary shares issued to RCF, that rank pari passu with all other fully paid ordinary shares on issue, in respect of a \$750,000 equity investment in Ascot with associated placement management fee.
- (i) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, under the terms of the Loan Note Agreements between the Company and RCF V, Sedgman and Kopejtka as payment of interest for the quarter ending 31 March 2014. The number of shares issued was calculated by reference to the value of the interest payments and using a 5% discount to the VWAP of shares traded on the ASX for the 10 most recent days prior to the date that the interest became due and payable.
- (j) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, as short term incentive payment under employee's employment contract.
- (k) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, to sophisticated and professional investors introduced by brokers in relation to the share placement completed on 20 June 2014.
- (l) Executive Incentives issued to the Company's Executive Directors – Messrs. Paul Kopejtka and Andrew Caruso – as approved by Ascot shareholders in May 2014 in connection with the Wonmunna Iron Ore Project. Refer to Schedule 1b for terms.
- (m) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, under the terms of the Loan Note Agreements between the Company and RCF V and Sedgman as payment of interest for the quarter ending 30 June 2014. The number of shares issued was calculated by reference to the value of the interest payments and using a 5% discount to the VWAP of shares traded on the ASX for the 10 most recent days prior to the date that the interest became due and payable.
- (n) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, to Ochre Group Holdings under the terms of the Wonmunna Sale Purchase Agreement.
- (o) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, to RCF V under the terms of the Share Placement Agreement.
- (p) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, to Gunvor under the terms of the Share Subscription Agreement.
- (q) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, to Frank Sibbel in lieu of cash for payment of invoices.
- (r) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, to Andrew Caruso on satisfaction of vesting criteria in respect of MD remuneration package agreed in December 2012.
- (s) Fully paid ordinary shares issued, that rank pari passu with all other fully paid ordinary shares on issue, under the terms of the Loan Note Agreements between the Company and RCF V and Sedgman as payment of interest for the quarter ending 30 September 2014. The number of shares issued was calculated by reference to the value of the interest payments and using a 5% discount to the VWAP of shares traded on the ASX for the 10 most recent days prior to the date that the interest became due and payable.

**Schedule 1a - Details of Cash Issues and how the proceeds were spent as at 15 October 2014**

Ref	Date	Cash Consideration Received \$	Cash consideration spent \$	Use of Cash Consideration	Intended use for remaining amount of cash (if any)
i)	13/11/2013	282,270	282,270	To provide the Company with working capital to fund its existing operations and the ongoing feasibility work for the Company's Titiribi Project.	n/a
ii)	17/03/2014	750,000	750,000	To provide the Company with working capital to fund its existing operations and the ongoing feasibility work for the Company's Titiribi Project and pre-implementation costs associated with the purchase of Wonmunna Project.	n/a
iii)	20/06/2014	500,000	500,000	To provide the Company with working capital to fund its existing operations and pre-implementation costs associated with the purchase of Wonmunna Project.	n/a
iv)	20/06/2014	200,000	200,000	To provide the Company with working capital to fund its existing operations and pre-implementation costs associated with the purchase of Wonmunna Project.	n/a
v)	7/07/2014	355,000	300,000	To provide the Company with working capital to fund its existing operations and pre-implementation costs associated with the purchase of Wonmunna Project.	n/a
vi)	17/09/2014	250,000	250,000	To provide the Company with working capital to fund its existing operations and pre-implementation costs associated with the purchase of Wonmunna Project.	n/a
vii)	23/09/2014	4,700,809	1,100,000	To provide the Company with working capital to fund its existing operations and costs associated with the development of the Wonmunna Project.	To provide the Company with working capital to fund its existing operations costs associated with the development of the Wonmunna Project.
viii)	23/09/2014	4,906,453	1,100,000	To provide the Company with working capital to fund its existing operations and costs associated with the development of the Wonmunna Project.	To provide the Company with working capital to fund its existing operations costs associated with the development of the Wonmunna Project.
ix)	3/10/2014	25,000	25,000	To provide the Company with working capital to fund its existing operations and costs associated with the development of the Wonmunna Project.	n/a

## Schedule 1b Terms of Executive Incentives

### Definitions and interpretation

1. In these terms:

**ASX** means ASX Limited ACN 008 624 691.

**Black-out Period** means any period during which trading in the Company's securities, or financial products issued or created over or in respect of the Company's securities, by the relevant holder is prohibited in accordance with the Company's corporate governance policies on share trading activities, as they apply from time to time.

**Board** means the board of directors of the Company or a committee appointed by the Board (including the Remuneration, Nomination and Corporate Governance Committee) for the purposes of the Plan.

**Change of Control** means:

- (a) in the case of a Takeover Bid, an offer or who previously had voting power of less than 50% in the Company obtains voting power of more than 50%;
- (b) shareholders of the Company approve a proposed compromise or arrangement for the reconstruction of the Company or its amalgamation with any other company or companies at a meeting convened by the Court pursuant to section 411(4)(a) of the Corporations Act;
- (c) any person becomes bound or entitled to acquire shares in the Company under:
  - (i) section 414 of the Corporations Act (compulsory acquisition following a scheme or contract); or
  - (ii) Chapter 6A of the Corporations Act (compulsory acquisition of securities);
- (d) a selective capital reduction is approved by shareholders of the Company pursuant to section 256C(2) of the Corporations Act which results in a person who previously had voting power of less than 50% in the Company obtaining voting power of more than 50%; or
- (e) in any other case, a person obtains voting power in the Company which the Board (which for the avoidance of doubt will comprise those directors immediately prior to the person acquiring that voting power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board.

**Company** means Ascot Resources Limited ACN 146 530 378.

**Corporations Act** means the *Corporations Act 2001* (Cth), as amended from time to time.

**Executive Incentive** means an incentive granted in accordance with these Executive Incentive Terms.

**Executive Incentive Terms** means these Executive Incentive Terms.

**Exercise Notice** means a written notice in the form prescribed by the Company from time to time.

**Exercise Price** has the meaning given to that term in paragraph 4 of these Executive Incentive Terms.

**Expiry Date** has the meaning given to that term in paragraph 5 of these Executive Incentive Terms.

**Group** means the Company and its subsidiaries and any other entity declared by the Board to be a member of the group for the purposes of the Plan and any member of the Group is a **Group Company**.

**Incentive Certificate** means a certificate specifying the number of Executive Incentives held by the holder (attaching a copy of these Executive Incentive Terms).

**Listing Rules** means the Official Listing Rules of ASX and, for so long as the Shares are listed or quoted on any other stock exchange where such stock exchange requires compliance with its listing rules, the listing rules applicable to that stock exchange each as they apply to the Company from time to time;

**Plan** means the Ascot Resources Limited Employee Incentive Plan adopted by the Board on 22 February 2013, subject to any amendments or additions made in accordance with that Plan.

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

**Takeover Bid** has the meaning given to that term in section 9 of the Corporations Act.

**voting power** has the meaning given to that term in section 9 of the Corporations Act.

In these Executive Incentive Terms, headings are for convenience and do not affect the interpretation of these Executive Incentive Terms unless the context requires otherwise.

Unless the contrary intention appears, words defined in the Plan will have the same meaning in these terms.

### **The issue of the Executive Incentives**

2. The Executive Incentives are issued for no consideration. For the avoidance of doubt, the Executive Incentives are not issued under the Plan, but certain rules of the Plan may apply to the Executive Incentives as if they had been issued under the Plan.
3. Subject to these Executive Incentive Terms, each Executive Incentive entitles the holder to subscribe for and be allotted one Share on exercise of the Executive Incentive.
4. There is no exercise price payable upon exercise of each Executive Incentive.
5. (a) Subject to paragraph 6 and 9 below, the Executive Incentives are exercisable on or before 5.00 pm (Perth time) on the date specified in paragraph (b) below (**Expiry Date**). Executive Incentives not exercised by the Expiry Date shall automatically lapse.  
(b) The Expiry Date for each tranche of Executive Incentives is as follows:
  - (i) Tranche A Executive Incentives - 2 years from the date on which the Group completes the acquisition of the Wonmunna Project.
  - (ii) Tranche B Executive Incentives - 3 years from the date on which the Group completes the acquisition of the Wonmunna Project.
  - (iii) Tranche C Executive Incentives - 4 years from the date on which the Group completes the acquisition of the Wonmunna Project.
6. The Executive Incentives are subject to the following vesting conditions:
  - (a) Tranche A Executive Incentives will vest upon Ascot or its related bodies corporate receiving :
    - (i) written approval from the Department of Mines and Petroleum to commence mining under the Mining Act 1978 at the Wonmunna Project; and
    - (ii) all other statutory and environmental approvals, permits and licences required by law that are necessary for mining to commence at the Wonmunna Project
  - (b) Tranche B Executive Incentives will vest upon Ascot or its related bodies corporate commencing mine pre-stripping activities at the Wonmunna Project, ascertained by reference to the first disturbance and excavation of:
    - (i) topsoil and vegetation; or
    - (ii) overburden,that is required to be removed to access any part of the Ore Reserve to a designated stockpile, waste dump or civil works location on any one of the Wonmunna Project mining leases. For the avoidance of doubt, mine pre-stripping activities do not include the disturbance and excavation of material to facilitate exploration, resource, geotechnical or hydrological drilling.
  - (c) Tranche C Executive Incentives will vest upon Ascot or its related bodies corporate completing the first sale of product from the Wonmunna Project to a purchaser, ascertained at the time title in the product passes to the purchaser in accordance with the terms of the relevant sales contract.

### **Transferability**

7. The Executive Incentives will not be quoted on ASX.
8. The Executive Incentives are only transferable:
  - (a) with the prior written consent of the Board (which may be withheld at its sole discretion); or
  - (b) by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.

Where the holder purports to transfer, assign, mortgage, charge or otherwise dispose of or encumber (in whole or in part) an Executive Incentive other than in accordance with this paragraph **8**, the Executive Incentive immediately lapses.

### **Lapsing of Executive Incentive**

9. Unless the Board determines otherwise in its absolute discretion, an unexercised Executive Incentive will lapse upon the earliest to occur of:
  - (a) the Executive Incentive lapsing in accordance with paragraph **8** (unauthorised transfer); or

- (b) the Expiry Date; or
- (c) otherwise in accordance with the Plan or any action taken under the Plan.

### **Issue of Shares**

10. Executive Incentives must be exercised in accordance with these Executive Incentive Terms by the holder giving the Company an Exercise Notice and the Incentive Certificate.

11. Shares allotted and issued pursuant to the exercise of an Executive Incentive will be allotted and issued not more than 10 Business Days after receipt of a properly executed Exercise Notice.

In the event that the issue of Shares on exercise of an Executive Incentive would require the Company to prepare a disclosure document (as that term is defined in the Corporations Act) in the absence of appropriate arrangements with the holder, then the Company may require the holder (as a pre-condition to the issue of the underlying Shares on exercise of the Executive Incentives) to enter into such arrangements with the Company as the Board considers appropriate to ensure that the issue of such Shares without disclosure does not contravene the fundraising provisions of the Corporations Act.

12. All Shares allotted on the exercise of any Executive Incentives will rank equally in all respects with the Shares of the same class for the time being on issue except as regards any rights attaching to such Shares by reference to a record date prior to the date of their allotment. If the Shares are quoted, the Company will apply to the ASX within a reasonable time after they are allotted for those Shares to be listed.

If the holder has not entered into the appropriate arrangements referred to in paragraph 11 above, then the Company may delay applying for listing of any Shares issued upon exercise of the Executive Incentives for the period that it is unable to issue a notice under section 708A(5) of the Corporations Act.

13. Subject to paragraph 14, there will be no transfer restrictions on Shares allotted on the exercise of any Executive Incentives unless the sale, transfer or disposal by the holder of the Shares issued to them on exercise of the Executive Incentives (or any interest in them) would require the preparation of a disclosure document (as that term is defined in the Corporations Act). If a disclosure document is required, the holder will be required to enter into such arrangements with the Company as the Board considers appropriate to prevent the sale, transfer or disposal of the relevant Shares in a manner that would require a disclosure document to be prepared.

14. Unless the Board determines otherwise in its absolute discretion, Shares allotted upon exercise of the Executive Incentives must not be sold, transferred or disposed of by the holder at any time whilst there is a Black-out Period in place. For these purposes, the Company Secretary will notify the holder:

- (a) when a Black-out Period commences; and
- (b) when a Black-out Period has been lifted or, where the Black-out Period relates to a periodic reporting requirement (such as the release of the quarterly, half-yearly or annual reports), when such Black-out Period will be lifted.

15. If after the exercise of Executive Incentives in accordance with these Executive Incentive Terms, there are still Executive Incentives on an Incentive Certificate that remain unexercised, the Company will issue a new certificate for the balance of the Executive Incentives held by the holder and not yet exercised.

### **Rights to participate in dividends, Bonus Issues, Rights Issues, Reconstruction of Shares etc**

16. The Executive Incentives will not entitle the holder to any dividends (or Shares or rights in lieu of dividends) declared or issued by the Company.

17. (a) If Shares are issued pro rata to the Company's shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment) involving capitalisation of reserves or distributable profits, the holder of Executive Incentives is entitled, upon exercise of the Executive Incentives, to receive, in addition to the Shares in respect of which the Executive Incentives are exercised and without the payment of any further consideration, an allotment of as many additional Shares as would have been issued to a shareholder who, on the date for determining entitlements under the bonus issue, held Shares equal in number to the Shares in respect of which the Executive Incentives are exercised.

- (a) Additional Shares to which the holder of Executive Incentives becomes so entitled will, as from the time Shares are issued pursuant to the bonus issue and until those additional Shares are allotted, be regarded as Shares comprised in the relevant Executive Incentives and in respect of which the Executive Incentives are exercised for the purposes of subsequent applications of paragraph 17(a), and any adjustments which, after the time just mentioned, are made under paragraph 18 to the number of Shares will also be made to the additional Shares.

18. If Shares are offered pro rata for subscription by the Company's shareholders generally by way of a rights issue or there is a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, during the currency of and prior to exercise of any Executive Incentives, the Executive Incentives are to be adjusted in any manner determined by the Board having regard to the Listing Rules and the general principle that the holder of the Executive Incentives should not be materially advantaged or disadvantaged as a result of a corporate action (such as the rights issue or capital reconstruction).
19. Subject to paragraphs 17 and 18, during the currency of any Executive Incentives and prior to their exercise, the holder is not entitled to participate in any new issue of securities of the Company as a result of their holding Executive Incentives.

#### **Treatment of Executive Incentives on termination of employment**

20. The treatment of the Executive Incentives following the termination of employment will be in accordance with the rules of the Plan as if the Executive Incentives were issued under the Plan.
21. If the vesting of Executive Incentives upon termination of employment, when aggregated with any other benefits paid or payable to the holder in connection with the cessation of their employment with any Group Company:
- (a) has not been approved by shareholders pursuant to Part 2D.2 of the Corporations Act; or
  - (b) is not otherwise permitted by law,
- then the number of Executive Incentives that vest under the relevant rule is automatically reduced to the maximum number of Executive Incentives permitted to vest at law upon cessation of employment.

#### **Takeovers, schemes of arrangement etc**

22. If a Change of Control occurs, then the Board must (unless any Takeover Bid to which the Change of Control relates also includes an equivalent offer to the holder to acquire all or a substantial portion of their Executive Incentives) notify the holder of the Change of Control. The notice will also inform the holder that any Executive Incentives held which remain subject to a Vesting Condition will immediately vest and may be exercised by the holder until the Executive Incentive lapses in accordance with paragraph 9.
23. The Board may also, in its absolute discretion, permit the exercise of Executive Incentives during such period as the Board determines where:
- (a) the Company passes a resolution for voluntary winding up;
  - (b) an order is made for the compulsory winding up of the Company; or
  - (c) the Company passes a resolution in accordance with Listing Rule 11.2 to dispose of its main undertaking.
24. If a company (**Acquiring Company**) obtains control of the Company as a result of:
- (a) a Takeover Bid;
  - (b) a scheme of arrangement between the Company and its shareholders; or
  - (c) a selective capital reduction,
- and both the Company and the Acquiring Company agree, the holder may, upon exercise of his or her Executive Incentives, elect to acquire and the Company may provide shares of the Acquiring Company or its parent in lieu of Shares, on substantially the same terms and subject to substantially the same conditions as the holder may exercise Executive Incentives to acquire Shares, but with appropriate adjustments to the number and kind of shares subject to the Executive Incentives.

#### **Attorney**

25. In consideration of being offered the Executive Incentives, the holder:
- (a) irrevocably appoints the Company and any person nominated from time to time by the Company (each an attorney), severally, as the holder's attorney to complete and execute any documents including applications for Shares and Share transfers and to do all acts or things on behalf of and in the name of the holder which may be convenient or necessary for the purpose of giving effect to the provisions of these Executive Incentive Terms;
  - (b) covenants that the holder will ratify and confirm any act or thing done pursuant to this power;
  - (c) releases each Group Company and the attorney from any liability whatsoever arising from the exercise of the powers conferred by this paragraph 25; and
  - (d) indemnifies and holds harmless each Group Company and the attorney in respect thereof.

## Schedule 2 – Effect of Share Issues on the Voting Power of RCF V and its Associates

The table below illustrates how RCF V and its Associates may reach the Maximum Percentage of 25.07%, which Shareholders are being asked to approve, by conversion of both Convertible Notes, the issue of shares in lieu of interest payable under the Convertible Notes and the issue of the Tranche 2 Shares. However, this table is based upon several variables and assumptions (listed in the explanatory notes and assumptions below) which in practice may not remain constant throughout the life of the Convertible Notes. Accordingly, the actual number of Shares that may be issued to RCF V under the Convertible Notes may differ from the numbers set out below. However, the Maximum Percentage voting power that RCF V and its Associates can reach will remain fixed despite any variation from assumed figures and circumstances.

As at the date of the Notice of Meeting of which this Explanatory Memorandum forms part (**Relevant Date**) RCF V and its Associates had a relevant interest in 25,246,520 Shares, representing 19.99% of the issued share capital of the Company;

<b>1. Maximum Potential Voting Power if Convertible Notes converted, all interest payments satisfied by issue of Shares and issue of Tranche 2 Shares</b>	<b>Number of Shares</b>
Shareholding of RCF V and its Associates as at the Relevant Date <sup>1</sup>	26,246,520
Payment of all interest on the Convertible Notes (up until 17 May 2015) <sup>2</sup>	980,628
Upon conversion of the Principal Outstanding under the Convertible Notes <sup>3</sup>	6,722,223
Upon issue of the Tranche 2 Shares <sup>4</sup>	1,196,765
<b>Relevant interest in Shares held by RCF V and its Associates as at Maturity Date</b>	<b>35,146,135</b>
<b>Maximum potential voting power of RCF V and its Associates<sup>9,10</sup></b>	<b>25.07%</b>
<b>2. Potential Voting Power on issue of Tranche 2 Shares only</b>	
Shareholding of RCF V and its Associates as at the Relevant Date <sup>1</sup>	26,246,520
Issue of Tranche 2 Shares <sup>4</sup>	1,196,765
<b>Relevant interest in Shares held by RCF V and its Associates on issue of Tranche 2 Shares</b>	<b>27,443,285</b>
<b>Voting power of RCF V and its Associates on issue of Tranche 2 Shares only</b>	<b>20.71%</b>
<b>3. Potential Voting Power on Conversion of Principal Outstanding under Convertible Notes only</b>	
Shareholding of RCF V and its Associates as at the Relevant Date <sup>1</sup>	26,246,520
Upon conversion of the Principal Outstanding under the Convertible Notes <sup>3</sup>	6,722,223
<b>Relevant interest in Shares held by RCF V and its Associates on Conversion of Principal Outstanding under Convertible Notes only</b>	<b>32,968,742</b>
<b>Voting power</b>	<b>23.88%</b>



<b>4. Potential voting power on payment of all interest on Convertible Notes (up until 17 May 2015) only</b>	
<b>Shareholding of RCF V and its Associates</b> as at the Relevant Date <sup>1</sup>	26,246,520
Payment of all interest on Convertible Notes (up until 17 May 2015) by issue of shares <sup>2</sup>	980,628
<b>Relevant interest in Shares on payment of all interest on Convertible Notes (up until 17 May 2015) only</b>	<b>27,227,148</b>
<b>Voting Power</b>	<b>20.58%</b>

#### **Explanatory notes and assumptions**

1. Reference to 'Shares held' refers to Shares in which RCF V and its Associates have a relevant interest (in accordance with the Corporations Act 2001) known to the Company at the Relevant Date.
2. Assumes that the price for calculating the number of interest shares to be issued will be A\$0.19 (being approximately a 5% discount to the 10-day VWAP of the Company's shares on ASX at 30 September 2014). However, the number of interest shares is calculated by reference to the 5 day VWAP calculated on the last trading day before the applicable interest payment date so this price will vary as will the number of interest shares to be issued to the RCF V.
3. Assumes that the Convertible Note will be converted into Shares at the Maturity Date in line with the agreements.
4. Assumes the issue of shares at \$0.25 for \$299,191 consideration to bring RCF V's contribution to \$5m following the tranche 1 consideration paid 22 September 2014 of \$4,700,809 in Tranche 1 Shares.

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**ASCOT RESOURCES LIMITED**  
**(ACN 146 530 378)**  
**PROXY FORM**

I/We   
of

being a shareholder of Ascot Resources Limited entitled to vote at the Annual General Meeting, hereby appoint:

☐ (a) Write here the name of the person you are appointing if this person is someone other than the Chairman of this Meeting.

The Chairman of the Meeting **OR**   
(mark with an 'X')

(b) or failing the person named (or if no person is named), the Chairman of the Meeting, or the Chairman's nominee, as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of Ascot Resources Limited to be held at 9.30am (Perth time) on Thursday, 27 November 2014 at 512 Hay Street, Subiaco, Western Australia 6008 and at any adjournment or postponement thereof.

I/We acknowledge that Resolution 5 relates to the remuneration of key management personnel, and that the Chairman intends to vote any undirected proxies **in favour** of Resolution 5. Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman of the Meeting becomes my/our proxy by default), I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy on Resolution 5 in favour of Resolution 5 (except where I have indicated a different voting intention below) even though Resolution 5 is connected directly or indirectly with the remuneration of a member of the key management personnel, which includes the Chairman of the Meeting.

Voting on Business of the Annual General Meeting	FOR	AGAINST	ABSTAIN
Resolution 1 – Re-election of Paul Kopejtka	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Election of James McClements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Election of Shahb Richyal	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Election of Nathan Featherby	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Adoption of Remuneration Report	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Approval of 10% Placement Capacity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Approval for Issue of Shares to RCF V and Increase in Voting Power of RCF V	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark abstain for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.  
If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_ %

**The Chairman of the Meeting intends to vote all available proxies in favour of all Resolutions.**

**PLEASE SIGN HERE**

This section must be signed in accordance with the instructions overleaf for your directions to be implemented.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Individual or Shareholder 1

Sole Director and Sole Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

**ASCOT RESOURCES LIMITED**  
**ACN 146 530 378**

**Instructions for Completing Proxy Form**

1. **(Appointing a Proxy):** A member entitled to attend and cast a vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy may be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. Any fraction of votes will be disregarded. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Please refer to the proxy form for further instructions on how to vote. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
  - **(Individual):** Where the holding is in one name, the member must sign.
  - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
  - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, 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, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - a) post to Ascot Resources Limited at 512 Hay Street, Subiaco, Western Australia 6008; or
  - b) facsimile to the Company on facsimile number (+61) 8 9380 6440; or
  - c) email to [info@ascotresources.com](mailto:info@ascotresources.com)

so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy forms received later than this time will be invalid.**



## ASCOT RESOURCES LIMITED Independent Expert's Report

13 October 2014



## Financial Services Guide

13 October 2014

**BDO Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Ascot Resources Limited ('Ascot') to provide an independent expert's report on the Transaction to issue shares to Resource Capital Funds V L.P ('RCF') via a placement or conversion of existing Convertible Loans. You will be provided with a copy of our report as a retail client because you are a shareholder of Ascot.

### 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.

## **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 \$18,000.

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.

## **Other Assignments -**

BDO Corporate Finance (WA) Pty Ltd had prepared an independent expert's report for Ascot dated 11 April 2014 relating to the proposed acquisition of the Wonmunna Iron Ore Project, owned by Ochre Group Holdings Limited \$28,000. BDO Corporate Finance also provided services in relation to the preparation of the convertible note valuation in July 2013 for a fee of \$2,000.

BDO Corporate Tax (WA) Pty Ltd performed professional services in relation to the review of the Ascot Income Tax Return and Fringe Benefits Tax advice for a fee of \$7,500 in May 2014. For the June 2014 financial statements a review of the income tax computation including a review of deferred tax assets and liabilities occurred for a fee of \$2,000.

## **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 Ascot 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](http://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 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto: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 Salva Resources Pty Ltd

Appendix 4 - Independent Valuation Report prepared by CSA Global Pty Ltd

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13 October 2014

The Directors  
Ascot Resources Limited  
512 Hay Street  
Subiaco WA 6008

Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 5 September 2014, Ascot Resources Limited (**'Ascot'** or **'the Company'**) announced that it had executed a Share Placement Agreement (**'SPA'**) with the mining investment firm and existing investor, Resource Capital Funds V L.P (**'RCF'**), pursuant to which RCF would subscribe for 20 million shares in Ascot, over two Tranches, at an issue price of \$0.25 per share, representing an investment of \$5 million.

The first tranche of 18,803,235 shares (**'Tranche One'**) was issued to RCF on completion of the acquisition of the Wonmunna Project which occurred on 22 September 2014.

During May 2013, the Company entered into an agreement with RCF for the issue of a 2 year unsecured convertible loan note (**'Loan Note One'**). During December 2013, the Company entered into a second unsecured convertible loan note agreement with RCF (**'Loan Note Two'**).

Collectively, Loan Note One and Loan Note Two are referred to as the (**'Convertible Loans'**).

Following the issue of the Tranche One shares, RCF and its associates held a voting interest in Ascot of 19.99%. The issue of any of the following will result in the shareholding of RCF and its associates in the Company exceeding 20%:

- The (**'Tranche Two'**) shares, comprising 1,196,765 shares to RCF under the SPA; or
- The issue of shares in lieu of interest payable under the Convertible Loans with RCF (**'Interest Conversion'**); or
- The issue of shares on the conversion of the Principal outstanding on the Convertible Loans with RCF (**'Principal Conversion'**).

Collectively, the potential issue of Tranche Two, Interest Conversion and Principal Conversion shares are referred to as the (**'Transaction'**).

Completion of the Transaction requires the approval of Ascot's shareholders, pursuant to Section 611 Item 7 of the Corporations Act 2001(Cth) (the **'Act'**), because the issue of shares would result in RCF and its associates obtaining voting power in the Company of greater than 20%.

Refer to Section 4 of our report for further details surrounding the Transaction.

## 2. Summary and Opinion

### 2.1 Purpose of the report

The directors of Ascot 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 the Transaction is fair and reasonable to the non-associated shareholders of Ascot ('Shareholders').

Our Report is prepared pursuant to section 611 of the Act and is to be included in the Explanatory Memorandum for Ascot 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 Ascot share prior to the Transaction on a controlling basis compares to the value of an Ascot share following the Transaction on a minority basis;
- 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 not fair but reasonable to Shareholders.

In our opinion, the Transaction is not fair because the value of an Ascot share prior to the Transaction on a controlling basis is greater than the value of an Ascot share following the Transaction on a minority basis. However, we consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, the following were key considerations in our determination of reasonableness:

- An improved working capital position through the cash injection and reduced cash flow strain through the Convertible Loans being settled through the issue of shares;
- An increase in cash and reduction in existing debt will strengthen the Company's balance sheet and may increase the Company's ability to raise additional funds required to fund its long term development strategy; and
- Strengthening and maintenance of Ascot's relationship with RCF as a key strategic investor.

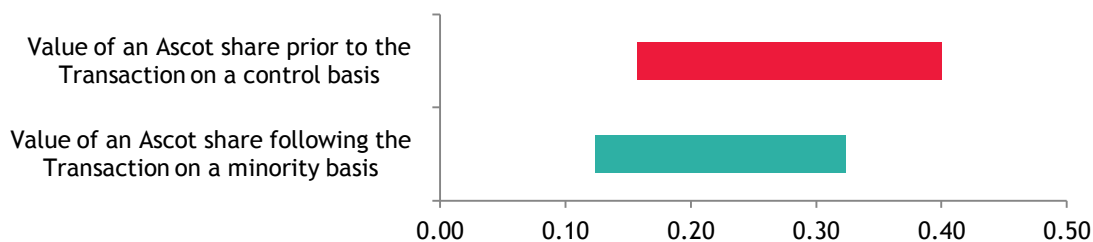
## 2.4 Fairness

In section 12 we determined how the value of an Ascot share prior to the Transaction on a controlling basis compares to the value of an Ascot share following the Transaction on a minority basis. This is set out below:

	Ref	Low \$	Preferred \$	High \$
Value of an Ascot share prior to the Transaction on a controlling basis	10.3	0.16	0.22	0.40
Value of an Ascot share following the Transaction on a minority basis	11.3	0.12	0.18	0.32

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 not fair for Shareholders as the value of an Ascot share prior to the Transaction on a controlling basis is greater than the value of an Ascot share following the Transaction on a minority basis. We note however, that there is substantial overlap between the value of an Ascot share prior to the Transaction and following the Transaction, albeit that each comparative value is lower post Transaction than pre Transaction.

## 2.5 Reasonableness

We have considered the analysis in section 13 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 of Shareholders if the Transaction is not approved. Accordingly, we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4	The Transaction will put the Company under less cash flow strain	13.5	Dilution of existing shareholders' interests
13.4	The ability of Ascot to raise additional funds may increase		
13.4	Strengthens the Company's relationship with one of its cornerstone investors		

Other key matters we have considered include:

Section	Description
13.1	Alternative Proposal
13.2	Practical level of control
13.3	Consequences of not approving the Transaction

## 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.

As at the date of the report, RCF and its associates own 26,246,520 shares in Ascot, representing an interest of 19.99%. However, following the Transaction, RCF will receive approximately 1.2 million shares through Tranche Two of the placement, giving RCF and its associates a minimum interest of 20.71% and up to an additional 7.7 million shares on exercise of Convertible Notes, giving them a maximum interest of 25.07%.

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 Ascot by either:

- undertaking a detailed examination of the Acquisition themselves, if they consider that they have sufficient expertise; or

- by commissioning an Independent Expert's Report.

The directors of Ascot 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 value of an Ascot share prior to the Transaction on a controlling interest basis and the value of an Ascot share following the Transaction on a minority interest basis (fairness - see Section 12 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Transaction, after reference to the value derived above (reasonableness - see Section 13 '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 September 2014, Ascot announced that it had executed a SPA with RCF, pursuant to which RCF would subscribe for 20 million shares in Ascot at an issue price of \$0.25 per share, representing an investment of \$5 million. RCF has agreed to subscribe for shares in two tranches:

- Tranche One comprising of 18,803,235 shares that have been issued following completion of the acquisition of the Wonmunna Iron Ore Project ('Wonmunna' or 'the Project') and results in RCF and its associates holding 19.99% prior to the Transaction; and
- Tranche Two comprising of 1,196,765 million shares.

Under the SPA, RCF will have the right to appoint a representative to Ascot's Board.

### Convertible Loans

Ascot has entered into two separate loan note agreements with RCF. During May 2013, the Company entered into an agreement with RCF for the issue of Loan Note One. During December 2013, the Company entered into the second unsecured Loan Note Two with RCF.

Key terms in relation to the Convertible Loan Notes are detailed below:

#### Loan Note One:

- Principal of \$1,220,000;
- The conversion price applicable to the Principal on Loan Note One is \$0.36 per the amended deed agreement dated September 2014;
- Interest is payable quarterly in arrears and carries a coupon rate of 14%; and
- At the Company's election, interest can be paid in the form of Ascot shares, cash or a combination of cash and shares. Any shares to be issued are calculated using a conversion price equal to a 5% discount to the 10 day Volume Weighted Average Price ('VWAP') immediately prior to the date the interest becomes payable.

#### Loan Note Two:

- Principal of \$400,000;
- The conversion price applicable to the Principal on Loan Note Two is \$0.12 per the amended deed agreement dated September 2014;
- Interest is payable quarterly in arrears and carries a coupon rate of 14%; and
- At the Company's election, interest can be paid in the form of Ascot shares, cash or a combination of cash and shares. Any shares to be issued are calculated using a conversion price equal to a 5% discount to the 10 day VWAP immediately prior to the date the interest becomes payable.

We have considered potential dilution scenario in Section 4.1 below, assuming Shareholder approval is obtained.

#### 4.1. Shareholding of Ascot following the Transaction

The following table shows the maximum number of shares that may be issued to RCF following the approval of the Transaction. If the Transaction is approved then RCF will be issued shares under Tranche Two of the SPA. Additionally, if RCF elects to convert the remaining \$1.62 million principal amount at the respective fixed conversion prices and all accrued interest into shares, assuming interest is converted at a 5% discount to the current 10 day VWAP of \$0.20, the voting power of RCF and its associates in the Company may increase from 19.99% up to 25.07% while existing Shareholders' interests may be diluted from 80.01% to 74.93%.

Dilution Scenario	RCF and its associates	Other Shareholders	Total
<b>Existing shareholding</b>			
Issued shares as at the date of our Report	26,246,520	105,067,836	131,314,356
% holdings as at the date of our Report	19.99%	80.01%	100.00%
<b>Additional shares issued under the Transaction</b>			
<u>Placement shares</u>			
Shares issued under Tranche Two	1,196,765	-	1,196,765
<u>Convertible Loans</u>			
Shares issued in lieu of principal on Loan Note One	3,388,889	-	3,388,889
Shares issued in lieu of interest Loan Note One	795,711	-	795,711
Shares issued in lieu of principal on Loan Note Two	3,333,334	-	3,333,334
Shares issued in lieu of interest Loan Note Two	184,918	-	184,918
Total shares issued on conversion of Convertible Loans	7,702,852	-	7,702,852
<b>Maximum number of new shares issued following the Transaction</b>	<b>8,899,617</b>	<b>-</b>	<b>8,899,617</b>
<b>Total number of shares outstanding following the Transaction</b>	<b>35,146,137</b>	<b>105,067,836</b>	<b>140,213,973</b>
<b>% holdings following the Transaction</b>	<b>25.07%</b>	<b>74.93%</b>	<b>100.00%</b>

## 5. Profile of Ascot

### 5.1 History

Ascot Resources formerly known as Epic Resources Limited, was incorporated on 24 September 2010, listed on the ASX on 14 February 2011 and changed its name to Ascot on 10 December 2012. The Company is focused on coal and iron ore exploration and development in Columbia (coal) and Australia (iron ore). The current directors and senior management of Ascot are:

- Mr Andrew Caruso, Managing Director
- Mr Paul Kopejtka, Executive Chairman
- Mr Francis De Souza, Non-Executive Director
- Mr Christopher Foley, Company Secretary

Mr Andrew Caruso has over twenty years' experience in the mining industry including operations, management and executive roles within Australia and overseas. Previously, he was CEO of Crosslands Resources Ltd which is developing the Jack Hills iron ore expansion project in Western Australia and prior to that he was the Managing Director of Australasian Resources Limited which is developing the Balmoral South Iron Project in Western Australia.

Mr Paul Kopejtka has been associated with a number of Australian mining companies including Murchison Metals Limited, Extract Resources Limited and Indo Mines Limited. As a founding director and former Executive Chairman of Murchison Metals Limited, Mr Kopejtka helped develop the Jack Hills Iron Ore Project.

Mr Francis De Souza's experience lies in financial services, specialising in corporate advisory and equity markets with a specific focus on the resources sector. Mr De Souza is the co-founder of Otsana Capital Pty Ltd, a boutique advisory firm specialising in mergers & acquisitions, capital raisings and Initial Public Offerings.

On 23 May 2014, the Company announced that the Company's shareholders approved a one for two consolidation of the Company's ordinary shares.

On 23 September 2014, the Company announced the completion of its acquisition of a 100% interest in the Wonmunna Project from Ochre.

Set out below is a short description of Ascot's projects.

#### Wonmunna Project

On 18 March 2014, Ascot entered into an agreement to acquire the Wonmunna Project from Ochre. Following the completion of due diligence the parties entered into a SPA. The terms of the SPA were subsequently amended on 3 July 2014. On 23 September 2014, the Company announced the completion of its acquisition of the Wonmunna Project from Ochre.

The Wonmunna Project is located in the East Pilbarra region of Western Australia, 80 km northwest of Newman and 375 km south of Port Hedland. The Wonmunna Project comprise of one granted exploration license , E47/1137 and three mining leases, M47/1423, M47/1425 and M47/1425, which were granted in April 2012. Located adjacent to the project area are two major operating iron ore mines, Rio Tinto's West Angelas and Hope Downs, both of which are located within 20 km of the lease boundary.



The Wonmunna Project comprises four primary deposits, North Marra Mamba, Central Marra Mamba, East Marra Mamba and South Marra Mamba and the area is intersected by the Great Northern Highway which provides direct access to Port Hedland.

#### Titiribi Project

Ascot holds a 90% interest in the Carbones de Titiribi Joint Venture Coal Project which is located in the Department of Antioquia, Colombia. The project site is located 70 km from the state capital of Medellin and spans a total area of approximately 212 hectares. The project consists of three mining concessions:

- El Silencio;
- El Balsal; and
- Lara.

During August 2013, the Company conducted an extensive drilling and exploration program across the El Balsal, El Silencio and Lara concessions in collaboration with independent consultants.

In December 2013, the Carbones de Titiribi Joint Venture project acquired an additional four mining concessions covering the areas known as Arrayanal, Floresta, Arbolitos and Rio Amagá, representing a 250% increase in the joint venture's existing landholding.

#### Urabá Coal Project

In July 2013, Ascot entered into a conditional, binding Heads of Agreement with Hampshire Mining Pty Ltd, for the acquisition of a 90% interest in a coal concession located within the Urabá region of the Department of Antioquia, Colombia.

The Urabá concession covers an area of approximately 5,000 hectares and outlines a coal-bearing zone that is approximately 21 km long and 2.5 km wide.

Within 25 km of the concession, Urabá has a highway connection to the Caribbean port of Turbo, which is equipped with coal loading facilities and used to export coal to Europe, Brazil and the east coast of the United States.

For further details in relation to the Titiribi Project, refer to the technical report by Salva Resources Pty in Appendix 3. For further details in relation to the Wonmunna Project refer to the technical report by CSA Global Pty Ltd in Appendix 4.

## 5.2 Historical Balance Sheet

Statement of Financial Position	Audited as at 30-Jun-14 \$	Reviewed as at 31-Dec-13 \$	Audited as at 30-Jun-13 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2,013,066	426,128	890,934
Trade and other receivables	14,916	37,368	51,128
Other assets	64,778	61,904	25,131
<b>TOTAL CURRENT ASSETS</b>	<b>2,092,760</b>	<b>525,400</b>	<b>967,193</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	56,790	67,912	72,273
Exploration and evaluation expenditure	5,317,387	5,119,074	4,247,515
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,374,177</b>	<b>5,186,986</b>	<b>4,319,788</b>
<b>TOTAL ASSETS</b>	<b>7,466,937</b>	<b>5,712,386</b>	<b>5,286,981</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	2,325,551	1,399,071	1,072,823
Interest bearing loans and borrowings	2,266,909	1,044,119	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,592,460</b>	<b>2,443,190</b>	<b>1,072,823</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	-	-	950,000
Interest bearing loans and borrowings	493,193	1,707,146	1,218,806
Provisions	49,758	36,128	27,049
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>542,951</b>	<b>1,743,274</b>	<b>2,195,855</b>
<b>TOTAL LIABILITIES</b>	<b>5,135,411</b>	<b>4,186,464</b>	<b>3,268,678</b>
<b>NET ASSETS</b>	<b>2,331,526</b>	<b>1,525,922</b>	<b>2,018,303</b>
<b>EQUITY</b>			
Contributed equity	8,366,925	5,706,701	4,799,774
Reserves	1,575,875	731,623	582,712
Accumulated losses	(7,636,527)	(4,937,759)	(3,389,436)
Non-controlling interest	25,253	25,357	25,253
<b>TOTAL EQUITY</b>	<b>2,331,526</b>	<b>1,525,922</b>	<b>2,018,303</b>

Source: Audited financial statements for the years ended 30 June 2014 and 30 June 2013 and reviewed financial statements for the half-year ended 31 December 2013.

We note that the Company's auditor issued an unmodified opinion in the audited financial statements for the year ended 30 June 2014.

We note the following in relation to Ascot's Statement of Financial Position:

- Cash and cash equivalents increased from \$0.89 million at 30 June 2013 to \$2.01 million at 30 June 2014. The increase was primarily as a result of proceeds received from the capital raisings conducted throughout the year.
- During the year, the Company completed the following capital raisings:

- In July 2013, the Company issued 5 million shares to Sedgman Limited at \$0.10 per share along with a \$0.5 million loan note;
  - In August 2013, Ascot issued a \$0.65 million loan note to an entity associated with Mr Paul Kopejtka;
  - In October 2013, the Company completed a capital raising to private and sophisticated investors raising \$0.22 million at an issue price of \$0.09 per share;
  - In December 2013, the Company issued a \$0.4 million loan note to RCF;
  - In March 2014, Ascot completed an equity placement to RCF, raising \$0.75 million at an issue price of \$0.076 per share;
  - Between April and June 2014 as part of the acquisition of the Wonmunna project, the Company raised \$1.05 million at \$0.25 per share; and
  - In June 2014, Ascot issued 2.8 million shares at \$0.25 per share to sophisticated and professional investors.
- Exploration and evaluation expenditure increased from \$4.25 million at 30 June 2013 to \$5.32 million at 30 June 2014. The increase is predominantly due to the Company carrying out further exploration work on its Titiribi project which also included the four additional mining concessions that were acquired in December 2013.
  - Current trade and other payables increased from \$1.40 million at 31 December 2013 to \$2.33 million at 30 June 2014. The increase is a result of the Company receiving approximately \$1.38 million in subscription commitments in advance in relation to the capital raising of \$5 million at an issue price \$0.25 per share to RCF.
  - Non-current trade and other payables of \$0.95 million at 30 June 2013 relates to the Company entering into a Binding Heads of Agreement with Ascot Equities Pty Ltd for the 100% acquisition of Carbones de Colombia SL.
  - Current interest bearing loans relate to the issue of three convertible notes. One of the convertible notes was issued to an associated entity of Mr Paul Kopejtka in July 2013, with a face value of \$0.65 million. The second note was issued in May 2013 to RCF for an amount of \$1.22 million. In December 2013, the Company issued another convertible note to RCF for an amount of \$0.40 million. The book values of these convertible notes are detailed below.

Current interest bearing loans and borrowings	Audited as at 30-Jun-14
Convertible note issued to Mr Paul Kopejtka	\$647,729
Convertible note issued to RCF	\$1,619,180
<b>Total current interest bearing loans and borrowings</b>	<b>\$2,266,909</b>

- Non-current interest bearing loans and borrowings relate to the \$1 million strategic investment made by Sedgman Limited. The investments comprise a \$0.50 million unsecured loan and \$0.50 million direct share placement. The book value of the note is detailed below:

Non-current interest bearing loans and borrowings	Audited as at 30-Jun-14
Convertible note issued to Sedgman Limited	\$493,193
<b>Total non-current interest bearing loans and borrowings</b>	<b>\$493,193</b>

- Contributed equity has increased from \$5.71 million at 31 December 2013 to \$8.37 million at 30 June 2014. The increase is primarily due to the share placement component in relation to the strategic investment made by Sedgman Limited, the equity placement with RCF and the issue of shares via a share placement to sophisticated and professional investors on 13 November 2013 and 20 June 2014.

### 5.3 Historical Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit and Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-14 \$	Audited for the year ended 30-Jun-13 \$	Audited for the year ended 30-Jun-12 \$
<b>Revenue</b>			
Revenue and other income	52,413	103,443	180,668
Gain on payment of deferred consideration	209,000	-	-
<b>Expenses</b>			
Directors fees and other benefits	(63,647)	(332,192)	(119,600)
Share-based payments	(1,175,840)	(232,085)	(41,610)
Professional and consulting fees	(486,294)	(580,867)	(122,828)
Employment expenses	(1,144,128)	(195,780)	-
Management fees	-	(448,580)	-
Impairment of exploration and evaluation expenditure	(46,833)	(335,831)	(96,570)
Exploration expenditure (Wonmunna)	(473,702)	-	-
Other expenses	(1,118,060)	(645,251)	(161,392)
<b>Loss before income tax</b>	<b>(4,247,091)</b>	<b>(2,667,143)</b>	<b>(361,332)</b>
Income tax expense	-	-	-
<b>Loss after income tax</b>	<b>(4,247,091)</b>	<b>(2,667,143)</b>	<b>(361,332)</b>
Foreign currency translation differences	9,871	(4,496)	-
<b>Total loss from continuing operations</b>	<b>(4,237,220)</b>	<b>(2,671,639)</b>	<b>(361,332)</b>

Source: Audited financial statements for the years ended 30 June 2014 and 30 June 2013 and reviewed financial statements for the half-year ended 31 December 2013.

We note the following in relation to Ascot's Historical Statement of Profit or Loss and Other Comprehensive Income:

- Gain on payment of deferred consideration of \$0.21 million for the year ended 30 June 2014 relates to the satisfaction of the first Milestone of the Titiribi Coal Project on 24 January 2014. On 6 August 2012, the Company entered into a Binding Heads of Agreement with Ascot Equities Pty Ltd for the acquisition of 100% of Carbones de Columbia SL. On 17 March 2014, Ascot Equities Pty Ltd were issued 4.75 million shares on a post consolidation basis on completion of the first in line with the Binding Heads of Agreement at a value of \$0.74 million, resulting in a gain on payment of deferred consideration of \$0.21 million. The first milestone relates to the required delineation of

a 10 million tonnes JORC- compliant Inferred Coal Resource within the areas covered by Titiribi Project licenses prior to 27 February 2014.

- Share based payments have increased from \$0.23 million for the year ended 30 June 2013 to \$1.18 million for the year ended 30 June 2014. The increase is a result of the Company granting 50 million executive incentives at no consideration on 23 May 2014 along with the issue of 3.14 million options at an exercise price of \$0.20 per option as part of the payment to Pursuit Capital for professional fees on 28 November 2014.
- Employment expenses increased from \$0.20 million for the year ended 30 June 2013 to \$1.14 million for the year ended 30 June 2014. The increase is due to Ascot increasing its human resource capability as a result of acquiring the Wonmunna Project along with further exploration work conducted at its Titiribi Coal Project.
- Management fees of \$0.45 million for the year ended 30 June 2013 relates to a payment made to Hampshire Mining Spain SL, a related party of which Mr Paul Kopejtka and Mr Joseph van den Elson are directors. The payment was in relation to the provision of management services, including project management, concession management, legal, accounting and administrative services to the Company for the Titiribi Coal Project. The Company cancelled the service agreement, and no further fees remain payable at 30 June 2014.
- Exploration expenditure (Wonmunna) of \$0.47 million for the year ended 30 June 2014 relates to the development of the Wonmunna Project.
- Other expenses for the year ended 30 June 2014 comprises depreciation, administration costs, travel expenses, compliance and regulatory expenses, financing expenses, exchange loss and interest expenses.

## 5.4 Capital Structure

The share structure of Ascot as at 6 October 2014 is outlined below:

	Number
Total ordinary shares on issue	131,314,356
Top 20 shareholders	117,041,641
Top 20 shareholders - % of shares on issue	89.13%

Source: Ascot's share registry provided by Management

The range of shares held in Ascot as at 6 October 2014 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	9	2,969	0.00%
1,001 - 5,000	54	228,089	0.17%
5,001 - 10,000	33	281,001	0.21%
10,001 - 100,000	177	6,077,378	4.63%
100,001 - and over	67	124,724,919	94.98%
<b>TOTAL</b>	<b>340</b>	<b>131,314,356</b>	<b>100.00%</b>

Source: Ascot's share registry provided by Management

The ordinary shares held by the most significant shareholders as at 6 October 2014 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Ochre Group Holdings Limited	50,000,000	38.08%
Merrill Lynch Australia Nominees PL (RCF)	26,246,520	19.99%
C-Sand PTE Ltd (Gunvor)	19,625,811	14.95%
Sedgman Limited	3,163,246	2.41%
Subtotal	99,035,577	75.42%
Others	32,278,779	24.58%
<b>Total ordinary shares on issue</b>	<b>131,314,356</b>	<b>100.00%</b>

Source: Ascot's share registry provided by Management

The most significant option holders of Ascot as at 6 October 2014 are outlined below:

Current Options on Issue	Grant Date	Expiry Date	Exercise price	Number of Options
Pursuit Capital Options	28-Nov-13	28-Nov-16	\$0.20	3,136,336
Employee Incentive Options	22-Feb-13	22-Feb-16	\$0.40	400,000

Source: Ascot's share registry provided by Management

## 6. Profile of Resource Capital Funds

### 6.1 History

Resource Capital Funds is a private equity firm comprising a number of private equity funds (the 'Funds') with mandates to make investments exclusively in the mining sector across a diversified range of hard mineral commodities and geographic regions.

The Funds are managed by RCF Management L.L.C. ('RCFM') which has its principal office in Denver and additional offices in Perth, New York (Long Island) and Toronto. Resource Capital Fund VI L.P. is the sixth Resource Capital Fund, with committed capital of \$2.04 billion, and is currently being invested by RCFM. RCFM also currently manages three other active private equity funds, Resource Capital Fund V L.P., Resource Capital Fund IV L.P. and Resource Capital Fund III L.P. The committed capital of the Funds is sourced primarily from US-based institutional investors.

Resource Capital Funds pioneered the concept of mining-focused private equity funds and strives to produce superior returns to its investors, portfolio companies and fellow equity investors.

Resource Capital Funds was founded in 1998 and has, since inception, supported 123 mining companies (and several mining-services companies) involving projects located in 42 countries, relating to 29 commodities.

RCFM has experience in building management teams specifically suited to develop and or operate assets and has the resources and networks to draw upon to source top talent from around the world.

In addition to providing financing, Resource Capital Funds has the in-house technical and financial expertise to actively guide a mining company's management team through the process of raising capital in the public equity and project financing markets.

RCFM's management team consists of individuals with extensive commercial and technical experience in the mining industry.

Information about Resource Capital Funds can be found on its website [www.resourcecapitalfunds.com](http://www.resourcecapitalfunds.com).

## 7. Economic analysis

Growth in the global economy is continuing at a moderate pace. China's growth has generally been in line with policymakers' objectives, though some data suggest a slowing in recent months. Weakening property markets is the present challenge in the near term. Commodity prices in historical terms remain high, but some of those important to Australia have declined further in recent months.

Volatility in some financial markets has picked up in recent weeks. Overall, however, financial conditions remain very accommodative. Long-term interest rates and risk spreads remain very low. Markets still appear to be attaching a low probability to any rise in global interest rates or other adverse event over the period ahead.

In Australia, most data are consistent with moderate growth in the economy. Resources sector investment spending is starting to decline significantly, while some other areas of private demand are seeing expansion, at varying rates. Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend for the next several quarters.

Labour market data have been unusually volatile of late. The Bank's assessment remains that although some forward indicators of employment have been firming this year, the labour market has a degree of spare capacity and it will probably be some time yet before unemployment declines consistently. Growth in wages has declined noticeably and is expected to remain relatively modest over the period ahead, which should keep inflation consistent with the target even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and have continued to edge lower over recent months as competition to lend has increased. Investors continue to look for higher returns in response to low rates on safe instruments. Credit growth is moderate overall, but with a further pick-up in recent months in lending to investors in housing assets. Dwelling prices have continued to rise over recent months.

The exchange rate has declined recently, in large part reflecting the strengthening US dollar, but remains high by historical standards, particularly given the further declines in key commodity prices in recent months. It is offering less assistance than would normally be expected in achieving balanced growth in the economy.

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.

The RBA Board's judgement, monetary policy is appropriately configured to foster sustainable growth in demand and inflation outcomes consistent with the target. On present indications, the most prudent course is likely to be a period of stability in interest rates.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Glenn Stevens, Governor: Monetary Policy Decision 7 October 2014.



## 8. Industry analysis

### 8.1. Overview

Iron ores are rocks from which metallic iron can be economically extracted. The principal iron ores are hematite ( $\text{Fe}_2\text{O}_3$ ) and magnetite ( $\text{Fe}_3\text{O}_4$ ).

Hematite is a pure iron oxide mineral, with pure hematite mineral containing 69.9 % iron. Hematite ores dominate the world production of iron ores with approximately 96% of Australia's iron ore exports being high grade hematite. High grade hematite ore involves a relatively simple crushing and screening process before being exported. Australia's hematite averages from 56% to 62% iron.

Magnetite is an iron oxide mineral containing 72.4% iron. While the iron ore content is higher than hematite, the presences of impurities results in a lower ore grade, making it more costly to produce the concentrates.

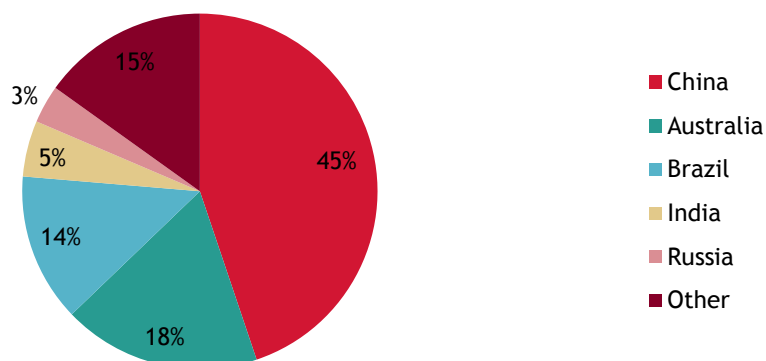
Iron is the world's most used metal with approximately 98% of world iron ore production being used to make steel. It is primarily used in structural engineering, automobiles and other general industrial applications. Commercial development of iron ore deposits are largely constrained by the position of the iron ore relative to its market and the cost of establishing proper transportation infrastructure such as ports and railways.

There are three main categories of iron ore exports:

- **Fines:** fines are the smallest size category and typically have a granular size less than 9.50mm. They are the most heavily traded category of iron ore;
- **Lump Ore:** lump ore consists of golf ball sized pieces, and generally has a higher iron content than fines; and
- **Pellets:** particle sizes range from 9.50mm to 16.00mm. Pellets are made by agglomeration of finely ground and concentrated ore.

In 2013, an estimated 3 billion metric tonnes of iron ore was produced. The chart below shows the countries in which the majority of iron ore was produced in 2013:

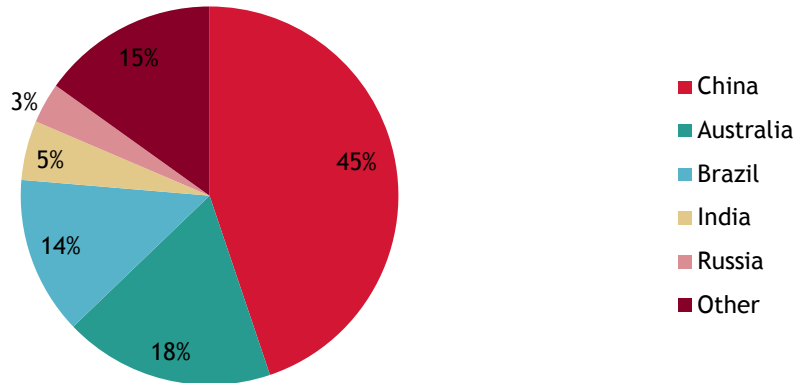
Global Iron Ore Production - 2013



Source: Bloomberg

The chart below shows the location of the world's iron ore reserves, the majority of which are located in Australia:

**Global Iron Ore Reserves - 2013**



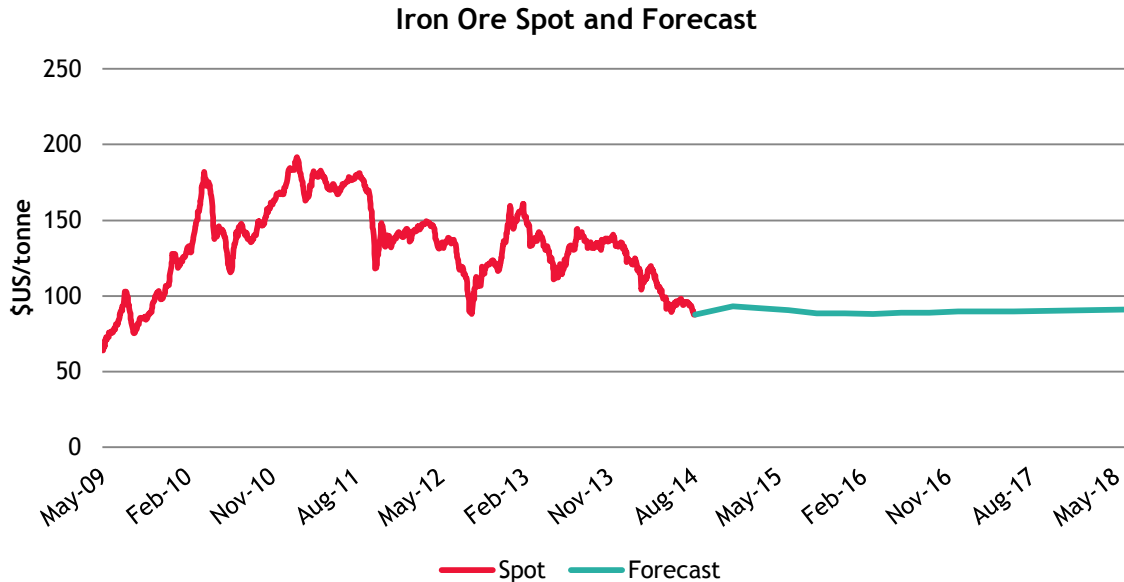
Source: US Geological Survey

## **8.2. Global Market**

Recent trends show a majority of the demand for iron ore being sourced from China, which has led some analysts to believe that Chinese steel demand has peaked after reaching and exceeding levels experienced by some of the largest OECD countries. There is however, still considerable scope for an expansion in steel consumption in China's interior and more distant provinces albeit at a slower rate compared to the larger Chinese cities such as Beijing and Tianjin. The central government is focusing its attention on developing these outer parts of China, and with the expansion of business to these areas to take advantage of low cost labour, it is inevitable that Chinese demand for iron ore will continue to expand. Other countries such as Brazil, India and Indonesia are likely to follow on China's development path, albeit on a smaller scale.

### 8.3. Price Trends

Historical iron ore prices and forecasts to 2018 are illustrated in the chart below.



Source: Bloomberg, BDO Analysis and Consensus Economics

#### Historical prices

The sharp increase in iron ore price movements from May 2009 was marked by a surge in Chinese, Japanese and Korean steel mill demand. During that period, annual iron ore price contracts increased by 65% to 97% compared to the previous year. Iron ore prices subsequently fell during the global financial crisis with a reduction in world market sentiment and hence demand for iron ore. April 2010 saw an increase in price as miners moved to quarterly pricing and global economies began to recover.

Additionally, iron ore experienced a sharp rise in price in mid-2010 when Indian state Karnataka banned all iron ore exports. India is currently the world's third largest iron ore supplier with approximately a quarter of its 100+ million tonnes of exports originating from Karnataka. The iron ore price increased in mid 2011 on the back of anticipated ore shortages which prompted restocking by the world's larger steel mills. The above observed decline in the iron ore price in late 2011 can be attributable to the slow in Chinese ore demand. Chinese imports decreased at the end 2011 which is reflective of falling steel prices over the same period.

Iron ore prices fluctuated between US\$110.4 and US\$158.9 in May 2013 and February 2013 respectively. After the decrease in prices in May, iron ore prices recovered in July 2013. The increase in the price of iron ore was driven by heavy steel re-stocking in China following improvements in the Chinese property sector and miscalculations from Chinese steel makers. Steel makers often run down their stockpiles in the hope that the price of steel will fall and they can buy at a cheaper rate, however when the price did not fall the steel makers were caught out and had to purchase significant amounts of steel. This increased demand caused the price to rise during July 2013. Adding to this increase in demand was a decrease in supply as bad weather in Brazil slowed production.

In October 2013 through to December 2013, global iron ore prices stabilised with a monthly average range of US\$133-US\$137. Weaker iron ore prices compared to those recorded in July 2013 and August 2013 was driven by a slowdown in steel production and consumption in China. According to the World Steel Organisation, pig iron production in China fell by 6 million tonnes in November to 53 million tonnes, representing the lowest level since November 2012.

At the beginning of 2014, global iron ore prices fell to US\$110, and in May 2014, iron ore prices dropped below US\$100 for the first time in almost two years. Factors behind the decrease were predominantly due to the slowdown in steel production in China along with a large oversupply of iron ore. Inventories at ports in China were at record levels, increasing from 84 million tonnes to a two year high of 106 million tonnes.

In September 2014, the price of iron dropped below US\$90, representing a five year low. The slowdown in steel consumption in China was influenced by a number of drivers including a fall in GDP growth, tightening of credit policy which resulted in increased borrowing costs for iron ore buyers and a drop in China's Purchasing Managers' Index.

### Forecast prices

The iron ore price closed at US\$87.79 on 1 October 2014. Iron ore prices are forecast to trend downwards over the coming years and are expected to remain around US\$90 per metric tonne in 2018. Despite the fact Indian iron ore production is expected to decrease due to restrictions on mining, the largest producers have all proceeded with a number of expansions. While Chinese steel smelting companies will continue to require high iron ore volumes to meet demand, higher production and output from Australian mines along with increases in output from Brazil and West Africa are expected to lead to oversupply and weakened prices.

## 9. 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

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. In our assessment of the value of an Ascot share we have chosen to employ the following methodologies:

### Assessment of the value of an Ascot share prior to the Transaction

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

- NAV approach as our primary method; and
- QMP approach as our secondary method.

We have chosen these methodologies for the following reasons:

- As Ascot is an exploration company, its core value is in the exploration assets that it holds. We have instructed Salva Resources Pty Ltd ('Salva') to act as independent specialist and to provide an independent market valuation of the Company's material 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'). Salva's full report may be found in Appendix 3. We have considered this in the context of Ascot's other assets and liabilities on a NAV basis;
- We have instructed CSA Global Pty Ltd ('CSA') to act as independent specialist and to provide an independent market valuation of the Wonmunna Project in accordance with the Valmin Code. CSA's full report may be found in Appendix 4;
- The QMP basis is a relevant methodology to consider because Ascot's shares are listed on the ASX. This means there is a regulated and observable market where Ascot's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to its activities. We have considered these factors in section 10.2 of our Report;
- Ascot 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; and
- Ascot 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. Ascot is yet to delineate reserves on any of its exploration assets.

## Assessment of the value of an Ascot share following the Transaction

### Primary approach

We have provided two alternative valuation approaches in assessing the NAV of an Ascot share following the Transaction. The value of an Ascot share following the Transaction using our primary approach will involve the following items:

- The value of Ascot prior to the Transaction;
- Incorporate the effects of the Transaction in the context of Ascot's other assets and liabilities on a NAV basis; and
- The number of shares on issue will incorporate the shares to be issued upon conversion of the Convertible Loans, inclusive of any accrued interest amounts. As outlined in section 4 of our Report, the conversion price of the principal on the Convertible Loan is set at \$0.36 and \$0.12. Additionally, conversion of interest is at a 5% discount to the 10 day VWAP at the time of conversion. Shareholder approval is being sought for the maximum number of shares to be issued; therefore we have also assessed the value of an Ascot share following the Transaction assuming remaining interest is accrued to the end of the life. We have also incorporated the effects of the Tranche Two shares on the assumption that the maximum number of shares is issued.

### Secondary approach

The value of an Ascot share following the Transaction using our secondary approach will involve the following items:

The value of Ascot following the Transaction;

- Incorporate the effects of the Transaction on Ascot's equity value; and
- Incorporate the effects of the Transaction on Ascot's level of debt.

We have also incorporated the effects of the proposed issue of shares under Tranche Two of the SPA on the assumption that the maximum number of shares is issued.

## 10. Valuation of Ascot prior to the Transaction

### 10.1 Net Asset Valuation of Ascot

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

NAV prior to the Transaction	Note	30-Jun-14 \$	Low value \$	Preferred value \$	High value \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	1	2,013,066	10,250,328	10,250,328	10,250,328
Trade and other receivables		14,916	14,916	14,916	14,916
Other assets		64,778	64,778	64,778	64,778
<b>TOTAL CURRENT ASSETS</b>		<b>2,092,760</b>	<b>10,330,022</b>	<b>10,330,022</b>	<b>10,330,022</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment		56,790	56,790	56,790	56,790
Exploration expenditure	2	5,317,387	30,700,000	39,100,000	62,500,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,374,177</b>	<b>30,756,790</b>	<b>39,156,790</b>	<b>62,556,790</b>
<b>TOTAL ASSETS</b>		<b>7,466,937</b>	<b>41,086,812</b>	<b>49,486,812</b>	<b>72,886,812</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables		2,325,551	2,325,551	2,325,551	2,325,551
Interest bearing loans and borrowings	4a	2,266,909	2,197,456	2,197,456	2,197,456
Additional Consideration on the Wonmunna acquisition	3	-	15,339,268	15,339,268	15,339,268
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,592,460</b>	<b>19,862,275</b>	<b>19,862,275</b>	<b>19,862,275</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest bearing loans and borrowings		493,193	493,193	493,193	493,193
Provisions		49,758	49,758	49,758	49,758
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>542,951</b>	<b>542,951</b>	<b>542,951</b>	<b>542,951</b>
<b>TOTAL LIABILITIES</b>		<b>5,135,411</b>	<b>20,405,226</b>	<b>20,405,226</b>	<b>20,405,226</b>
<b>NET ASSETS</b>		<b>2,331,526</b>	<b>20,681,586</b>	<b>29,081,586</b>	<b>52,481,586</b>
Shares on issue (number)	4		131,314,356	131,314,356	131,314,356
Value per share (\$)			\$0.16	\$0.22	\$0.40

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of Ascot since 30 June 2014, aside from the following adjustments. The table above indicates the net asset value of an Ascot share is between \$0.16 and \$0.40, with a preferred value of \$0.22.

The following adjustments were made to the net assets of Ascot as at 30 June 2014 in arriving at our valuation:

### Note 1- Cash and cash equivalents

Cash on Hand	Note	\$m
Balance as at 30 June 2014		2,013,066
<i>Movements subsequent to year end</i>		
Add: Net amount raised via private placement	4	10,237,262
Less: Cash consideration payable in Wonmunna acquisition		(2,000,000)
<b>Total cash balance after adjustments</b>		<b>10,250,328</b>

### Note 2a: Valuation of Ascot's exploration assets

We have instructed Salva to provide an independent market valuation of the Company's 90% interest in the Titiribi Coal Project located in Colombia. Salva considered a number of different valuation methods when valuing the Titiribi Coal Project and has taken guidance from the appraised valuation method and comparable transactions method. We consider the methodologies used by Salva to be appropriate given the stage of development of the Titiribi Coal Project. A copy of Salva's report is attached in Appendix 3.

The range of values for Ascot's 90% interest in the Titiribi Coal Project as calculated by Salva is set out below:

Ascot Resources Limited	Interest	Low value	Preferred value	High value
Mineral Asset Valuation	%	\$m	\$m	\$m
Titiribi Coal Project	90	3.70	5.10	6.50

### Note 2b: Independent valuation of the Wonmunna Project

We have instructed CSA to provide an independent market valuation of the Wonmunna Project. CSA has used the following methods in its valuation:

- The Appraisal Value Method which considers the costs and results of historical exploration; and
- The Market Approach (Comparable Transaction Method).

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 are satisfied with the valuation methodologies adopted by CSA which are in accordance with industry practices and in accordance with the requirements of the Valmin Code. A copy of CSA's report is attached in Appendix 4.

The range of values for the Wonmunna Project as calculated by CSA is set out below:

Ascot Resources Limited	Interest	Low value	Preferred value	High value
Mineral Asset Valuation	%	\$m	\$m	\$m
Wonmunna Project	100	27	34	56



The following table is a summary of the two material projects held by Ascot that were independently valued per Note 2a and 2b above:

Ascot Resources Limited	Low value	Preferred value	High value
Mineral Asset Valuation	\$m	\$m	\$m
Total valuation of the Wonmunna Project and Titiribi Coal Project	30.70	39.10	62.50

### Note 3- Adjustment for deferred consideration

Additional consideration is payable upon the completion of the Wonmunna acquisition, which was finalised on 22 September 2014. The terms around the additional consideration were revised subsequent to year end resulted in a reduction in the figure from \$29.75 million to \$19.95 million. The \$19.95 million deferred consideration amount is payable at any time prior to the date that is five years from the first production and sale of ore ('Additional Consideration').

Interest of 5.88% per annum will be payable on the amount of the Additional Consideration that remains unpaid at any time. Ascot may elect to pay some or all of the interest through the issue of Ascot shares at a 5% discount to the VWAP for the most recent 10 days on which Ascot shares have traded prior to the date of payment however, interest will be capitalised for the first 12 months.

We have assumed that the Additional Consideration will be paid by Ascot after the five year period and in cash not shares. We have therefore discounted the payment using a Weighted Average Cost of Capital ('WACC') appropriate for Ascot since acquiring the Wonmunna Project, which we consider to be 11.68%. We have calculated the present value of the Additional Consideration (including interest) to be \$15.34 million.

### Note 4- Capital raisings prior to the Transaction

Subsequent to 30 June 2014 and prior to the Transaction, Ascot had several capital raisings via private placements. An adjustment to cash and shares on issue has been made per the following workings:

Number of shares on issue	Note	Number	Per Share (\$)	Amount (\$)
Current shares on issue as at 30 June 2014		38,763,603	-	-
<b><u>Shares issued post year end</u></b>				
Shares issued as consulting fees and incentive options		934,626	-	-
Issued in lieu of interest repayments under convertible loans	a	667,081	-	-
Shares issued under the Wonmunna acquisition	b	50,000,000	-	-
<b><u>Capital Raisings</u></b>				
Placement to sophisticated investors		1,420,000	0.25	355,000
Placement to sophisticated investors		1,000,000	0.25	250,000
Placement to sophisticated investors		100,000	0.25	25,000
Placement of shares to RCF and Gunvor per respective SPA's		38,429,046	0.25	9,607,262
<b>Total shares on issue post placement and prior to the Transaction</b>	c	<b>131,314,356</b>	<b>Note 1</b>	<b>10,237,262</b>

**Note a:**

An adjustment of \$69,453 has been made to the Convertible Loan liability of RCF on the balance sheet as at 30 June 2014, following the issue of 363,831 interest shares post year end but prior to the Transaction.

**Note b:**

Shares issued as consideration to Ochre for the Wonmunna acquisition were revised subsequent to 30 June 2014 from 88 million to 50 million shares.

**Note c:**

Total shares issued as part of private placements raised \$10.24 million. We note that there were no additional cash share issue costs associated with these placements. Following the private placements and prior to the Transaction, Ascot has 131,314,356 shares on issue.

We are satisfied the market value of Ascot's other assets and liabilities do not materially differ from their book values.

## 10.2 Quoted Market Prices for Ascot Securities

To provide a comparison to the valuation of Ascot in Section 10.1, we have also assessed the quoted market price for an Ascot 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.

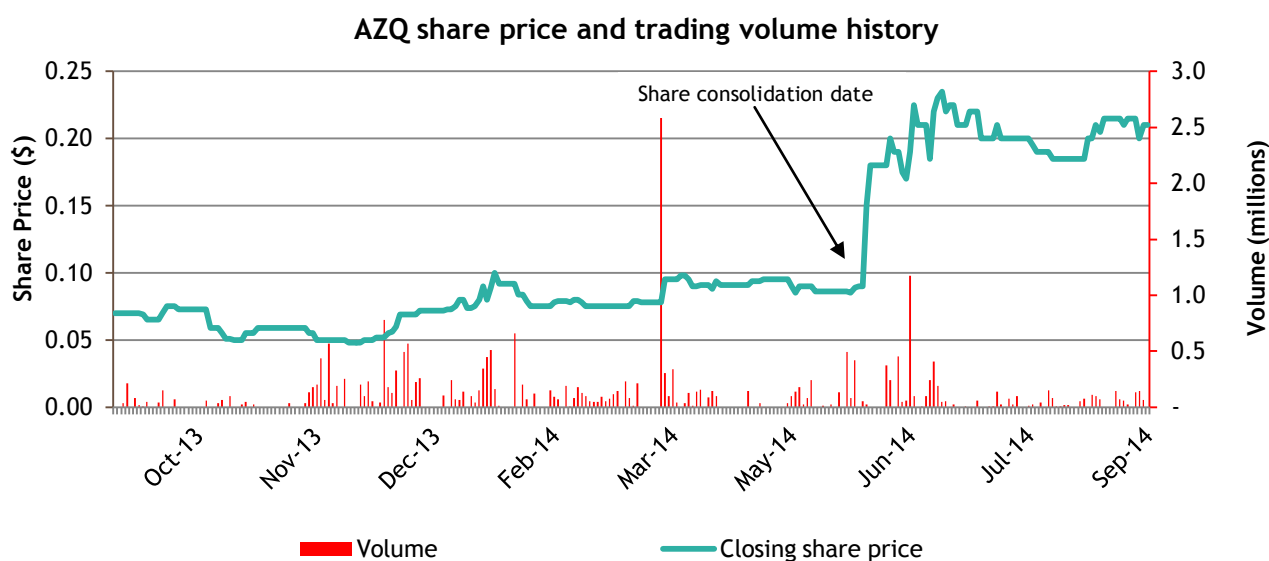
Whilst RCF will not be obtaining 100% of Ascot, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of an Ascot 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 a Ascot share is based on the pricing prior to the announcement of the Transaction. This is because the value of an Ascot 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 Ascot share following the announcement when we have considered reasonableness in Section 13.

Information on the Transaction was announced to the market on 5 September 2014. Therefore, the following chart provides a summary of the share price movement over the 12 months to 4 September 2014 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Ascot shares for the twelve months prior to 4 September 2014 has ranged from a low of \$0.048 on 19 November 2013 to a high of \$0.240 on 24 June 2014. From December 2013 to June 2014 the share price showed an upward trend, with the share price experiencing a significant jump from \$0.090 on 27 May 2014 to \$0.150 the following day. The most significant trading volumes were experienced in the four months between March 2014 and June 2014. The highest single day of trading was on 18 March 2014, where 2,698,599 shares were traded. On 23 May 2014, the Company announced the approval of a one for two share consolidation of its ordinary share capital.

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

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
07/08/2014	Vegetation Clearing Permit submitted for Wonmunna Project	0.185	►	0.0%	0.185	►	0.0%
30/07/2014	Quarterly Activities Report and Cashflow Statement	0.190	►	0.0%	0.185	▼	2.6%
03/07/2014	OGH: Ochre - Ascot Revised Wonmunna Terms	0.220	▲	4.8%	0.200	▼	9.1%
03/07/2014	Wonmunna Transaction Revised Terms	0.220	▲	4.8%	0.200	▼	9.1%
30/04/2014	Quarterly Cashflow Report	0.095	►	0.0%	0.090	▼	5.3%
30/04/2014	Quarterly Activities Report	0.095	►	0.0%	0.090	▼	5.3%
23/04/2014	Independent Experts Report	0.095	►	0.0%	0.095	►	0.0%
14/04/2014	Wonmunna Iron Ore Project - Due Diligence Completed	0.091	►	0.0%	0.094	▲	3.3%
14/04/2014	Wonmunna Transaction - Independent Expert's Report	0.091	►	0.0%	0.094	▲	3.3%
25/03/2014	Wonmunna Iron Ore Asset - Acquisition Presentation	0.098	►	0.0%	0.090	▼	8.2%
21/03/2014	Ascot Welcomes Plans for Lumsden Point Facility	0.095	►	0%	0.095	►	0%
18/03/2014	OGH: Sale of Wonmunna Tenement to Ascot Resources	0.095	▲	22%	0.095	►	0%
18/03/2014	Ascot to Acquire Wonmunna DSO Project In the Pilbara	0.095	▲	22%	0.095	►	0%
18/03/2014	Reinstatement to Official Quotation	0.095	▲	22%	0.095	►	0%
18/03/2014	Allotment Of Placement Shares	0.095	▲	22%	0.095	►	0%
10/03/2014	Half Year Accounts	0.078	▼	1%	0.078	►	0%
10/03/2014	Satisfaction of Titiribi project milestone 1	0.078	▼	1%	0.078	►	0%
06/03/2014	Cornerstone Investor To Provide \$750,000 Equity Capital	0.079	▲	5%	0.078	▼	1%
07/02/2014	Response to ASX Appendix 5B query	0.079	▲	1%	0.078	▼	1%
06/02/2014	Reduction in Deferred Consideration payable for Titiribi	0.078	▲	4%	0.079	▲	1%
31/01/2014	Quarterly Cashflow Report	0.075	►	0%	0.075	►	0%
31/01/2014	Quarterly Activities Report	0.075	►	0%	0.075	►	0%
24/01/2014	130% Resource Upgrade at Titiribi Coal Project	0.084	▼	9%	0.075	▼	11%
17/12/2013	Ascot Secures Further Investment From Resource Capital Funds	0.069	►	0%	0.072	▲	4%
17/12/2013	Titiribi Joint Venture To Acquire Neighbouring Concessions	0.069	►	0%	0.072	▲	4%
30/10/2013	Ascot raises \$220,500 via placement	0.059	►	0%	0.059	►	0%
30/10/2013	Quarterly Cashflow Report	0.059	►	0%	0.059	►	0%
30/10/2013	Quarterly Activities Report	0.059	►	0%	0.059	►	0%
30/09/2013	Annual Report to shareholders	0.073	►	0%	0.073	►	0%

On 24 January 2014, Ascot announced that following the acquisition of the additional concessions adjacent to the Company's 90% owned Titiribi Project; the Company had upgraded its Resource estimate by approximately 130% to 18.8 million tonnes in accordance with the JORC 2012 Code. On the day of the announcement, the Company's share price fell by 9% to \$0.084 and continued to fall by a further 11% to \$0.075 in the following three days. Given the seemingly positive news, we consider this an unexplained price movement.

On 6 March 2014, Ascot announced that existing investor, RCF, had agreed to provide \$0.75 million in equity funding to support the Company's 2014 project development initiatives and for general corporate and working capital requirements. On the day of the announcement, the share price of Ascot increased by 5% to \$0.079; however fell by 1% to \$0.078 in the following three days.

On 18 March 2014, the Company announced that it had executed a binding agreement to wholly acquire the Wonmunna Project from Ochre and that it had secured \$9.7 million at an issue price of \$0.25 per share from sophisticated investors subject to the completion of the acquisition. On the same day, Ascot also confirmed the issue of 9,803,922 fully paid ordinary shares to RCF, raising \$0.75 million. On the day of the announcements, the Company's share price increased by 22% to \$0.095, and remained unchanged in the three days subsequent.

On 3 July 2014, Ascot announced that the Company and Ochre had mutually agreed to the revised acquisition terms for the Wonmunna Project. Under the revised agreement, the consideration payable by Ascot to Ochre comprises of:

- 50 million fully paid ordinary shares to be issued upon completion of the acquisition;
- Cash consideration of \$2 million, payable upon completion;
- Additional consideration of \$19.95 million payable at any time prior to the date that is five years from first production and sale of ore; and
- A 1% gross revenue royalty payable on all products produced and sold commencing 12 months after Ascot completes the first shipment of product.

On the day of the announcement, the Company's share price increased by 4.8% to \$0.220; however fell by 9.1% in the following three days.

To provide further analysis of the market prices for an Ascot share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 4 September 2014.

Share Price per unit	04-Sep-14	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.210				
Weighted average price		\$0.211	\$0.203	\$0.204	\$0.171

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Ascot shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in Ascot shares for the twelve months to 4 September 2014 is set out below:

Trading days	Share Price low (\$)	Share price high (\$)	Cumulative volume traded	As a % of Weighted avg No. of shares for trading period
1 Day	\$0.210	\$0.210	62,500	0.05%
10 Days	\$0.200	\$0.220	639,015	1.55%
30 Days	\$0.185	\$0.220	1,402,987	3.40%
60 Days	\$0.180	\$0.240	4,173,455	10.38%
90 Days	\$0.084	\$0.240	7,336,734	16.09%
180 Days	\$0.070	\$0.240	17,401,417	35.11%
1 Year	\$0.048	\$0.240	24,179,712	51.43%

Source: Bloomberg, BDO analysis

This table indicates that Ascot's shares display a moderate to high level of liquidity, with 51.43% of the Company's weighted average number of shares on issued being traded in a twelve month period. 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 Ascot, we do not consider there to be a deep market for the Company's shares despite 51.43% of its weighted issued capital being traded in the year. Ascot had significant and unexplained movements in the share price, along with the Company's shares trading between a low of \$0.048 and a high of \$0.240 during the twelve months prior to the announcement of the Transaction. Ascot's volume traded was also sporadic with several days of nil trades, not indicating the existence of a deep market.

Our assessment is that a range of values for Ascot shares based on market pricing, after disregarding post announcement pricing, is between \$0.170 and \$0.210.

## Control Premium

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

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	6	113.29	14.51
2013	16	49.12	57.80
2012	19	135.78	42.67
2011	20	634.68	31.40
2010	24	748.05	40.76
2009	29	86.80	39.23
2008	8	553.76	38.87
	<b>Median</b>	<b>135.78</b>	<b>39.23</b>
	<b>Mean</b>	<b>331.64</b>	<b>37.89</b>

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;
- 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 2008, in particular in 2013 which there were four control transactions with announced premiums in excess of 85%. The long term average of announced control premium paid by acquirers of mining targets in Australia is in excess of 39%. Based on the analysis above we believe that an appropriate control premium is between 20% and 40%.

If the Transaction is approved, RCF and its' associates will obtain a holding in Ascot of up to 25.07% and as a result should be expected to pay a control premium. In determining the premium for control to be paid by RCF we have taken into account the above analysis and consider an appropriate control premium to be applied to Ascot's shares to be 20% to 30%.

## Quoted market price including control premium

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

	Low	Preferred	High
	\$	\$	\$
Quoted market price value	0.17	0.19	0.21
Control premium	20%	25%	30%
<b>Quoted market price valuation including a premium for control</b>	<b>0.20</b>	<b>0.24</b>	<b>0.27</b>

Source: BDO analysis

Therefore, our valuation of an Ascot share based on the quoted market price method and including a premium for control is between \$0.20 and \$0.27, with a preferred value of \$0.24.

### 10.3 Assessment of Ascot Value

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

	Low	Preferred	High
	\$	\$	\$
Net assets value (Section 10.1)	0.16	0.22	0.40
ASX market prices (Section 10.2)	0.20	0.24	0.27

Source: BDO analysis

We note the value obtained under the NAV methodology is higher than the value obtained under the QMP methodology in the top end of the value range. The difference between the valuation obtained under the NAV and QMP approaches can be explained by the following:

- Our NAV methodology includes independent market valuations of Ascot's Wonmunna Project and Titiribi Coal Project. Salva and CSA have relied on a combination of valuation methods to reflect the potential value of the Wonmunna Project and Titiribi Coal Project;
- The spot price of iron ore has fallen since the pre announcement valuation date used under the QMP methodology, compared to the more recent valuation date used by CSA in its valuation of the Wonmunna Project. This may be reflected in a lower NAV on a preferred and low end of the valuation range; and
- Under RG111.69 (d), the QMP methodology is considered appropriate when a liquid and active market exists for the securities. From our analysis of the QMP of an Ascot share we note that 35.11% of the Company's weighted average issued capital had been traded in the six months up to the date of the announcement of the Transaction, which represents a moderate to high level of liquidity over the six month period. We note however, that over the six month period the price of Ascot shares have moved substantially, trading between a low of \$0.048 and a high of \$0.24.

Based on the above points and the lack of a 'deep' market for the trading of Ascot shares, we consider the net asset value to be the most appropriate methodology which is supported by the QMP valuation which is within the range. We consider the value of an Ascot share prior to the Transaction to be between \$0.16 and \$0.40, with a preferred value of \$0.22.



## 11. Valuation of Ascot following the Transaction

### 11.1. Primary approach

The value of Ascot on a going concern basis following the Transaction is set out below:

	Notes	Low value \$'000	Preferred value \$'000	High value \$'000
<b>Net Assets of Ascot prior to the Transaction</b>		20,682	29,082	52,482
Add: Convertible Loan liability	1	1,619	1,619	1,619
Add: Additional cash from Tranche Two of RCF Placement	2	299	299	299
<b>Net Assets of Ascot following the Transaction (control basis)</b>		<b>22,600</b>	<b>31,000</b>	<b>54,400</b>
Discount for minority interest	3	23%	20%	17%
<b>Net Assets of Ascot following the Transaction (minority interest basis)</b>		<b>17,402</b>	<b>24,800</b>	<b>45,152</b>
Shares on issue ('000)	4	140,214	140,214	140,214
<b>Value per share (cents)</b>		<b>\$ 0.12</b>	<b>\$ 0.18</b>	<b>\$ 0.32</b>

The table above indicates the net asset value of an Ascot share following the Transaction on a minority basis is between \$0.12 and \$0.32 with a preferred value of \$0.18. In arriving at this value, the following adjustments were made to the net assets of Ascot following the Transaction.

#### Note 1 - Convertible Loan liability currently on the balance sheet

We have added back the liability currently on Ascot's balance sheet for the Convertible Loans as this liability will not exist if the Transaction is approved and RCF elects to convert the Convertible Loans.

#### Note 2: Tranche Two of the placement

Ascot is seeking approval to issue Tranche Two shares, as per the existing SPA with RCF. If the Transaction is approved then 1,196,765 Tranche Two shares will be issued at \$0.25, resulting in a net cash inflow of \$299,191.

#### Note 3: Minority discount

The net asset value of an Ascot 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 Ascot as RCF could 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 Ascot 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  $1 - (1/1 + \text{control premium})$ . As discussed in section 10.2, we consider an

appropriate control premium for Ascot to be in the range of 20% to 30%, giving rise to a minority interest discount in the range of 17% to 23%.

#### Note 4: Number of shares on issue

We have adjusted the number of shares on issue to incorporate the additional shares that may be issued to RCF on conversion of the balance of the Convertible Loans, and if Tranche Two is approved. This is set out in the table below:

Number of Shares on Issue after the Transaction	Notes	('000)
Number of Shares on Issue prior to the Transaction	10.1	131,314
Tranche Two of RCF placement	2	1,197
<u>Convertible Loans</u>		
Shares issued in lieu of principal on Loan Note One	a	3,389
Shares issued in lieu of principal on Loan Note Two	a	3,333
Shares issued in lieu of interest payable on interest of Loan Note One (Sep quarter)	b	232
Shares issued in lieu of interest payable on interest of Loan Note One	b	564
Shares issued in lieu of interest payable on interest of Loan Note Two	b	185
<b>Number of Shares on issue following to the Transaction</b>		<b>140,214</b>

Options currently on issue are out of the money and as such we have not considered them in our dilutionary scenario post Transaction.

#### Note a - Shares issued on conversion of the Convertible Loan

The face value of Loan Note One is \$1.22 million. The conversion price applicable to the Principal on Loan Note One is \$0.36 per the terms of the amended loan note agreement.

The face value of Loan Note Two is \$0.4 million. The conversion price applicable to the Principal on Loan Note Two is \$0.12 per the terms of the amended loan note agreement.

#### Note b - Shares issued in lieu of interest

Per the terms of the Convertible Loan agreements, at the Company's election, interest can be paid in the form of Ascot shares, cash or a combination of cash and shares. Any shares to be issued are calculated using a conversion price equal to a 5% discount to the 10 day VWAP immediately prior to the date the interest became payable.

Up until 30 September 2014, Ascot had elected to convert all interest payable on the Convertible Loans into shares on a quarterly basis. Only the September 2014 quarterly interest conversion in relation to Loan Note One has not been converted. Therefore, we have adjusted the share capital for the number of shares that are to be issued in lieu of the September quarterly interest conversion.

Additionally, we have calculated the number of shares that could be converted on the \$142,293 accrued interest amount calculated on the Convertible Loans between 1 October 2014 and 17 May 2015. We have used the most recent 10 day VWAP to 30 September 2014, being \$0.20, which was then adjusted for a 5% discount per the terms of the agreement to arrive at a conversion price of \$0.19.

## 11.2. Secondary approach

Under Australian Accounting Standards, the fair value of a convertible note/loan is apportioned between debt and equity. The debt component of a convertible note/loan that converts into a fixed number of shares is valued at the present value of its cash flows (coupons and principal). The discount rate used in the present value calculation is the interest rate that the issuer could obtain from the market on a similar debt instrument without the conversion feature. The equity component of the convertible note/loan is the residual between the face value of the note/loan and the value of the debt.

Similarly, for a convertible note/loan that is convertible to a variable number of shares, the fair value of the instrument is apportioned between debt and equity. However, the valuation methodology differs in that the equity component of the instrument is fair valued, with the residual between the face value and the value of the equity being classified as debt.

Although the Convertible Loan has a fixed conversion price we do not consider it is appropriate to present value the coupon and principal repayments. In order to perform this present value calculation, we need to determine the interest rate which Ascot could borrow funds in the market without a conversion feature. Given Ascot does not have existing reserves, the economic viability of its resources is unknown and creates uncertainty surrounding Ascot's ability to continue operating as a going concern. Therefore, at current we do not consider that any lenders would fund Ascot without having the ability to convert those funds into shares.

Therefore, we have valued the Convertible Loans using the Black Scholes Pricing Model to value the equity, with the residual between the equity value and the face value being classified as debt.

The key inputs used in our Black Scholes equity value are detailed below:

### Underlying share price

We have used an underlying share price of \$0.19, being our midpoint value of an Ascot share prior to 4 September 2014 as determined under the QMP methodology on a minority interest basis in section 10.2. We have used this value as our underlying share price as a result of the conversion price being based on the trading price of an Ascot share.

### Exercise price

The exercise price is the conversion price of the Loan Note One being \$0.36 per share. The exercise price per Loan Note Two is \$0.12.

### Life of the Convertible Loans

The maturity date for the Loan Note One and Loan Note Two is 17 May 2015, resulting in a term of 0.69 years.

### Volatility

Recent volatility of the share price of Ascot shares was calculated over a one year period, using data extracted from Bloomberg. We expect the annual share price volatility of an Ascot share to be approximately 85% over the term of the Loan Note One and Loan Note Two.

### Risk-free rate of interest

We have used the one-year Australian Government Bond Rate at 4 September 2014 of 2.49% as a proxy for the risk free rate.

### Dividend Expected on the Shares

Ascot is currently unlikely to pay a dividend during the life of the Convertible Loan.

### Number of equity instruments granted

The number of equity instruments input to our option pricing model is derived by dividing the principal amount of the Loan Note One and Loan Note Two by the conversion price. Based on this calculation, the Company will issue 3.389 million shares under Loan Note One and 3.333 million shares under Loan Note Two.

### Conclusion

We set out below our conclusion as to the values of the equity component of Loan Note One and Loan Note Two.

Item	Loan Note One	Loan Note Two
Underlying share price	\$0.19	\$0.19
Exercise price	\$0.36	\$0.12
Life of the Convertible Loan	0.69 years	0.69 years
Volatility (%)	85%	85%
Risk-free rate of interest (%)	2.49%	2.49%
Dividends expected on the shares (%)	-	-
Number of instruments	3.389 million	3.333 million
Valuation per instrument	\$0.018	\$0.087
Valuation of Equity	\$61,000	\$290,000

Source: BDO analysis

Based on our analysis above, the value of the debt and equity component of the Convertible Loans is set out in the table below.

Item	Loan Note One \$'000	Loan Note Two \$'000	Convertible Loans \$'000
Value of Equity	61	290	351
Value of Debt	1,159	110	1,269
Face value of Convertible Loan	1,220	400	1,620

Source: BDO analysis

These debt and equity values are reflected in our secondary valuation approach set out as follows:

	Notes	Low value \$'000	Preferred value \$'000	High value \$'000
<b>Net Assets of Ascot prior to the Transaction</b>		<b>20,682</b>	<b>29,082</b>	<b>52,482</b>
Add: Convertible Loan liability currently on balance sheet	1	1,619	1,619	1,619
Add: Additional cash from Tranche Two of RCF Placement	2	299	299	299
Less: Debt component of the Convertible Loan	3	(1,269)	(1,269)	(1,269)
Less: Present value of interest on Loan Note One	4	(103)	(103)	(103)
Less: Present value of interest on Loan Note Two	4	(34)	(34)	(34)
<b>Net Assets of Ascot following the Transaction</b>		<b>21,194</b>	<b>29,594</b>	<b>52,994</b>
Discount for minority interest		23%	20%	17%
<b>Net Assets of Ascot following the Transaction (minority interest basis)</b>		<b>16,319</b>	<b>23,675</b>	<b>43,985</b>
Adjustment for embedded call option value of the Convertible Loan	5	(351)	(351)	(351)
<b>Ordinary shareholder value</b>		<b>15,968</b>	<b>23,324</b>	<b>43,634</b>
Shares on issue (number)	6	132,511	132,511	132,511
<b>Value per share (\$)</b>		<b>\$ 0.12</b>	<b>\$ 0.18</b>	<b>\$ 0.33</b>

The table above indicates the net asset value of an Ascot share following the Transaction is in the range from \$0.12 to \$0.33 with a preferred value of \$0.18.

#### Note 1: Convertible Loan liability currently on balance sheet

We have added back the Convertible Loan liability already included on Ascot's balance sheet. The amount added back is discussed in section 11.1.

#### Note 2: Tranche Two of the placement

For further details refer to section 11.1 Note 2.

#### Note 3: Debt component of the Convertible Loan

We have increased the debt on Ascot's balance sheet to reflect the value of the debt component on the Convertible Loans calculated above.

#### Note 4: Present value of interest payable on the Convertible Loan

The Convertible Loans have an interest rate of 14% per annum. We have calculated the total interest incurred on the Convertible Loans over the period 1 October 2014 to 17 May 2015 to be \$142,293. We have discounted this to present value using a discount rate of 13% per annum based on the straight bond component of the Convertible Loan facility. The rate was based on comparable market debt with

consideration given to the unique risk factors such as stage and location of the project and the secured nature of debt.

Present Value of Interest on Convertible Loan	Actual Interest	Discount Rate	Present Value
Present value of interest to expiry on Loan Note One	\$ 107,159	13%	\$ 103,171
Present value of interest to expiry on Loan Note Two	\$ 35,134	13%	\$ 33,827
<b>Total present value of interest</b>	<b>\$ 142,293</b>		<b>\$ 140,417</b>

Source: BDO Analysis

#### Note 5: Adjustment for embedded call option value of the Convertible Loans

We have adjusted the ordinary shareholder value for the value of the embedded call option component of the Convertible Loans. See above for the valuation of the embedded call option.

#### Note 6: Shares on issue

We have not increased the number of shares on issue for the conversion of the Convertible Loans as this is reflected through the reduction in equity as a result of the call option value and the increase in the liabilities arising from the debt component of the Convertible Loans. We have updated the number of shares for the proposed issued of shares under Tranche Two as noted below:

Number of Shares on Issue after the Transaction	Notes	('000)
Number of Shares on Issue prior to the Transaction	10.1	131,314
Tranche Two of RCF placement		1,197
<b>Total shares on issue</b>	<b>11.2</b>	<b>132,511</b>

Source: BDO analysis

### 11.3. Valuation of Ascot following the Transaction

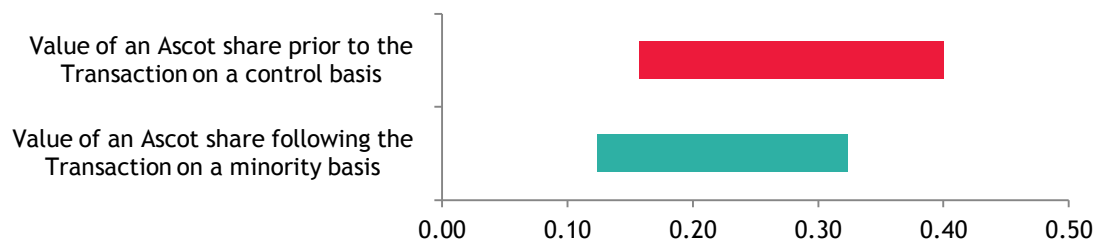
We note that the value of an Ascot share under the secondary approach is marginally higher than the valuation under the primary approach on the high end of the value range. Given the short life of the Convertible Loans, we consider the value of an Ascot share derived under the primary approach to be more appropriate as this more accurately reflects the substance of the instrument being closer to a near term placement than to a longer life debt instrument. Therefore, in our assessment of the fairness of the Transaction, we have considered the post Transaction value of an Ascot share determined under the primary approach. Therefore, we consider the value of an Ascot share on a control basis following the Transaction to be in the range from \$0.12 to \$0.32 with a preferred value of \$0.18.

## 12. Is the Transaction fair?

The value of an Ascot share prior to the Transaction on a control basis and the value of an Ascot share following the Transaction on a minority basis is compared below:

	Ref	Low \$	Preferred \$	High \$
Value of an Ascot share prior to the Transaction on a controlling basis	10.3	0.16	0.22	0.40
Value of an Ascot share following the Transaction on a minority basis- Primary approach	11.3	0.12	0.18	0.32

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, the Transaction is not fair for Shareholders as the value of an Ascot share prior to the Transaction on a controlling basis is greater than the value of an Ascot share following the Transaction on a minority basis.

## 13. Is the Transaction reasonable?

### 13.1 Alternative Proposal

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

### 13.2 Practical Level of Control

If the Transaction is approved then RCF and its associates will hold a maximum interest of approximately 25.07% in Ascot. In addition to this, Ascot will have one Board member nominated by RCF.

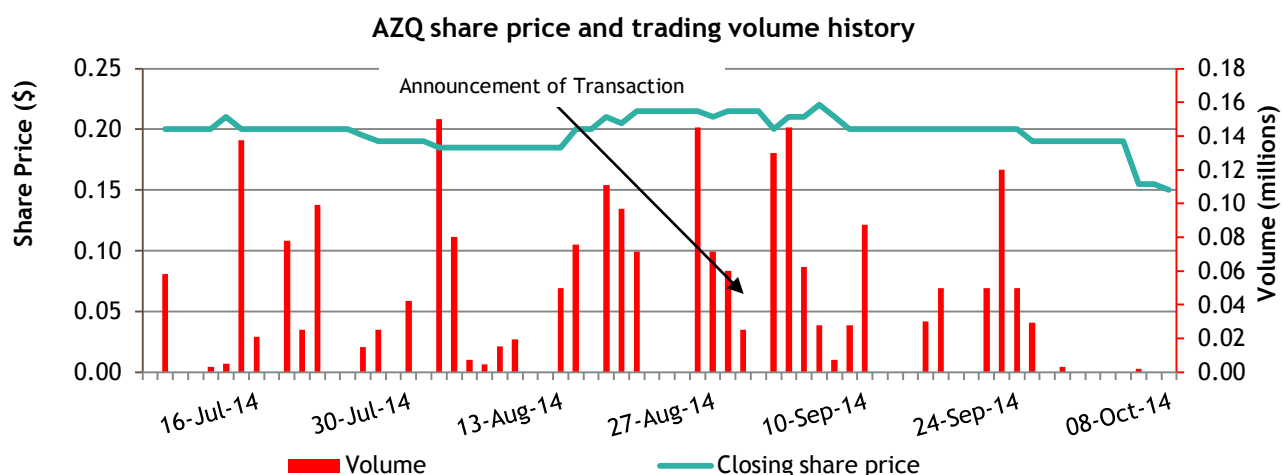
When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution requires 75% of shares on issue to be voted in favour to approve a matter. If the Transaction is approved then RCF may be able to block special resolutions, but cannot pass general or special resolutions. Ochre will remain as the largest shareholder following the Transaction and will have the ability to block special resolutions. Therefore, RCF's level of control will not increase significantly.

Ascot's Board currently comprises three directors. As part of a Board restructure, Gunvor, Ochre and RCF will nominate one additional director. This means that RCF's nominated director will make up 16.66% of the Board.

### 13.3 Consequences of not Approving the Transaction

#### Potential decline in share price

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



Source: Bloomberg

The announcement of the Transaction was made to the market on 5 September 2014. On that day approximately 28,000 shares were traded and Ascot's share price closed at \$0.220, an increase of 4.76% from the closing price of \$0.210 on the last full trading day. Ascot's share price has continued to trade



between \$0.190 and \$0.220 since the announcement of the Transaction. On 8 October 2014, the Company's share price closed at \$0.15. If the Transaction is not approved then the share price may fall further below its pre-announcement level.

### 13.4 Advantages of Approving the Transaction

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

Advantage	Description
The Transaction will put the Company under less cash flow strain	<p>RCF will subscribe \$299,191 for the Tranche Two shares, providing the Company with additional working capital.</p> <p>The conversion of the Convertible Loans will result in the issue of up to an additional 7.7 million shares in principal and convertible interest. Upon conversion, the Convertible Loans will be deemed as having been repaid. Accordingly, the Company will not have to repay the whole of the Convertible Loans in cash, which puts the Company under less cash flow strain.</p> <p>If the issue of shares under the Convertible Loan is not approved, the Company will be required to repay the loan to RCF. The Company's cash reserves are sufficient to repay existing debt, however this was not the intended use of funds when it was raised via placements. If the issue of shares under the Convertible Loans is not approved, the Company may need to seek an alternative source of funds from which to repay the existing debt. Alternative sources of funds may be on terms that are less advantageous to the Company than the Convertible Loans.</p>
The ability of Ascot to raise additional funds may increase	<p>If the issue of shares under the Convertible Loans and Tranche Two are approved and RCF elects to convert the Convertible Loans into shares, the level of the Company's borrowings will fall. The reduced level of gearing and improved cash position strengthens the Company's net asset balance, which may increase the Company's ability to raise additional funds required to fund its long term development strategy.</p>
Strengthens the Company's relationship with one of its cornerstone investors	<p>Resource Capital Funds is a private equity firm that invests in a diverse range of commodities. The primary goal of private equity firms is to generate a return on its investment. Since private equity firms receive shares in the companies they invest in, their return is generated by an increase in the value of those companies. If the Transaction is approved RCF will be able to nominate a director to the Board of Ascot. The appointment of a director will further align RCF's commitment to Ascot.</p> <p>RCF has actively participated in the Company's capital raisings through the subscription of c18.8 million shares in September 2014 as part of the SPA.</p> <p>RCF has been repaid some of the existing Convertible Loans via the conversion of interest and the interest of RCF and its associates in Ascot increased to the current (pre-Transaction) level of 19.99%.</p> <p>RCF's existing shareholding and Convertible Loans indicate a strong financial support for Ascot and for the Wonmunna Project. The potential conversion and further issue of shares under the Convertible Loans will increase the voting interest of RCF and its associates in the Company, which accordingly, may increase its major shareholder support in the future.</p>

### 13.5 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 issue of shares under the Transaction is approved and RCF elects to convert the Convertible Loans including any accrued interest into shares, the interest of RCF and its associates in the Company will increase from 19.99% to 25.07%. Existing Shareholders' interests may be diluted from 80.01% to 74.93%. This dilution may give RCF and its associates the power to block special resolutions and will reduce Shareholders' collective influence on the operations of the Company.

## 14. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is not fair but reasonable to the Shareholders of Ascot.

In our opinion, the Transaction is not fair because the value of an Ascot share prior to the Transaction on a controlling basis is greater than the value of an Ascot share following the Transaction on a minority basis. However, we consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, the following were key considerations in our determination of reasonableness:

- An improved working capital position through the cash injection and reduced cash flow strain through the Convertible Loans being settled through the issue of shares;
- An increase in cash and reduction in existing debt will strengthen the Company's balance sheet and may increase the Company's ability to raise additional funds required to fund its long term development strategy; and
- Strengthening and maintenance of Ascot's relationship with RCF as a key strategic investor.

## 15. 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 Ascot for the years ended 30 June 2014 and 30 June 2013;
- Independent Valuation Report of Ascot's Wonmunna Project dated 10 October 2014 performed by CSA Global Pty Ltd;
- Independent Valuation Report of Ascot's Titiribi Coal Project dated 9 October 2014 performed by Salva Resources Pty Ltd;
- Loan note agreements dated May 2013 and December 2013, between Ascot and RCF;
- Share registry information;
- Share Placement Agreement between RCF and Ascot;
- Information in the public domain; and

- Discussions with Directors and Management of Ascot.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$18,000 (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 Ascot in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Ascot, 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 Ascot and RCF 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 Ascot and RCF and their respective associates.

A draft of this report was provided to Ascot 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.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

## 17. 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.

## **18. Disclaimers and consents**

This report has been prepared at the request of Ascot for inclusion in the Explanatory Memorandum which will be sent to all Ascot Shareholders. Ascot engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether or not the proposed issue of shares to RCF under Tranche Two and or through conversion of the Convertible Loans is fair and reasonable to Shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. 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 Explanatory Memorandum 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 RCF. 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.

We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this 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 Ascot, or any other party.

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

The valuers engaged for the mineral asset valuations were, CSA Global Pty Ltd and Salva Resources Pty Ltd, who 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**

A handwritten signature in black ink, appearing to read 'Sherif Andrawes', written in a cursive style.

**Sherif Andrawes**

Director

A handwritten signature in black ink, appearing to read 'Adam Myers', written in a cursive style.

**Adam Myers**

Director

# Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act
Additional Consideration	The deferred consideration amount of \$19.95 million, payable at any time prior to the date that is five years from the first production and sale of ore.
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
Ascot	Ascot Resources Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
The Company	Ascot Resources Limited
Convertible Loans	Loan Note One and Loan Note Two
CSA	CSA Global Pty Ltd
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
The Funds	The private equity funds operated by RCF.
Interest Conversion	The issue of shares in lieu of interest payable under the Convertible Loans with RCF.
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Loan Note One	The convertible loan agreement between Ascot and RCF entered into in May 2013. The loan has a \$1.22 million face value, convertible into shares at \$0.36. Accrued interest is convertible at a 5% discount to the 10 day VWAP.
Loan Note Two	The convertible loan agreement between Ascot and RCF entered into in December 2013. The loan has a \$0.4 million face value, convertible into shares at \$0.12. Accrued

	interest is convertible at a 5% discount to the 10 day VWAP.
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by BDO
Principal Conversion	The issue of shares on the conversion of the principal outstanding on the Convertible Loans with RCF.
The Project	Wonmunna Iron Ore Project
QMP	Quoted market price
RCF	Resource Capital Funds V L.P
RCFM	RCF Management L.L.C
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
The Transaction	The potential issue of Tranche Two, Interest Conversion and Principal Conversion shares to RCF.
Salva	Salva Resources Pty Ltd
Shareholders	Shareholders of Ascot not associated with RCF
SPA	Share Placement Agreement
Tranche One	The issue of 18,803,235 shares to RCF on completion of the acquisition of the Wonmunna Project which occurred on 22 September 2014.
Tranche Two	The issue of 1,196,765 shares to RCF under the SPA.
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
WACC	Weighted Average Cost of Capital



Wonmunna

Wonmunna Iron Ore Project



## Appendix 2 - Valuation Methodologies

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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.

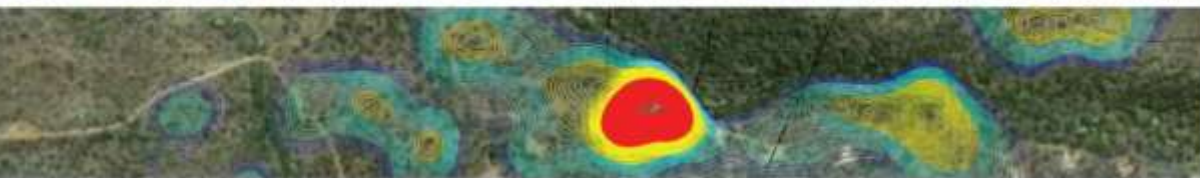
DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### **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 - Salva

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## Ascot Resources Ltd

Independent Mineral Asset Valuation Report

Titiribí Coal Project, Colombia

Prepared for BDO Corporate Finance (WA) Pty Ltd

October 2014

## **Ascot Resources Ltd**

### Independent Mineral Asset Valuation Report - Titiribí Coal Project, Colombia

#### **Salva Resources Pty Ltd**

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**9 October 2014**

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## Key abbreviations

ASL	Above Sea Level
Anticline	An anticline is a fold that is convex, with older layers closer to the centre or core
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Ascot	Ascot Resources Limited
\$ or AUD	Australian dollars
AusIMM	Australasian Institute of Mining and Metallurgy
BDO	BDO Corporate Finance (WA) Pty Ltd
cc	Cubic Centimetre
CAD	Canadian Dollars
Cretaceous	Geological period (70 million years to 140 million years ago)
CDG	Carbones del Golfo S.L
EEM	Exploration expenditure multiples (method of mineral valuation)
FY	Australian Financial Year, runs between July and June
Formation	A formation consists of a certain number of rock strata units that have a comparable lithology, facies, or other similar properties
gm.	Gram
Gemi	Gemi S.A.
Ha	Hectare(s)
JORC	2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
km	Kilometre(s)
km <sup>2</sup>	Square kilometre(s)
M	Million
Member	A lithostratigraphic unit of subordinate rank, comprising some specially developed part of a Formation
Mesozoic	Geological era (70 million years to 250 million years ago)
Mt	Millions of tonnes
Mtpa	Millions of tonnes per annum
NPV	Net present value
NTA	Net tangible assets
HDR   Salva	Salva Resources Pty Ltd
RD	Relative density
T	Tonne
USD	United States Dollar
VALMIN	2005 Edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports

## Executive Summary

BDO Corporate Finance (WA) Pty Ltd (“BDO”) has engaged Salva Resources Pty Ltd (“HDR | Salva”) to prepare an independent opinion on the market valuation of Ascot Resources Ltd (“Ascot” or the “Company”) interest in the Titiribí Coal Project in Colombia. HDR | Salva understands that this report will be relied on by BDO within its Independent Expert’s Report (“IER”) as part of the proposed transaction to be presented to Ascot’s shareholders.

Ascot is a publically listed iron ore and coal explorer and developer (ASX: AZQ). Its major asset in Colombia is its 90% interest in the Titiribí Coal Project (“Titiribí” or the “Project”) in the Department of Antioquia,.. Ascot owns 90% of the subsidiary company Carbones de Titiribí SAS (“CdT”), a company incorporated in Colombia, that in turn is the holder of the Licences.

CdT acquired rights to six concessions (El Silencio, El Balsal, Lara, Arrayanal & Floresta, Arbolitos and Rio Amagá) comprising the Titiribí Project in two phases.

The Titiribí area has been explored by several explorers in the past. The first systematic exploration of the area was carried out in 1926 when Emil Grosse conducted surface mapping of the area.

More recently, in 2012, Ascot contracted Medellín based consulting firm GEOMinas to remap the area using photo geological techniques. GEOMinas also interpreted several cross-cutting faults in both Northern (Lara) and Southern (El Balsal / El Silencio) tenements.

This was followed up by a field geophysical study in 2013, with an objective to determine the resistivity and magneto-telluric makeup of the rocks. A total of 23 holes were drilled in the El Basal, El Silencio, and Lara tenements; 17 HQ diamond drill holes (2,897 m) and 6 open holes (844 m). Slim hole geophysical tools were used for core logging purpose.

The data generated from the drilling was used by Behre Dolbear to create a Geological Model and Mineral Resource estimate.

Several standard tests were conducted on coal samples to determine its coking characteristics. Definitive coal quality results received from independent testing specialists, SGS Group, was reviewed by Behre Dolbear and coal quality consultants, Bluefield Group, to ascertain product and marketability. The coal quality results suggest coking properties for the coal, with Free Swelling Indices (FSI) ranging from 1.5 to 8.5. In-situ coal is expected to be a medium to high volatile coking coal with relatively low phosphorous and medium sulphur values. The expected gross calorific values are between 5,000 kcal/kg to 7,000 kcal/kg on an as-received basis.

Ascot announced a maiden JORC-compliant Mineral Resource Estimate of 8.1Mt in late 2013. This was further increased to 18.8Mt following Ascot’s acquisition of neighbouring concessions.

The current Mineral Resource estimate for Titiribí Project has been given in Table below.

Tenement	Resource (Mt)			
	Measured	Indicated	Inferred	Total
El Balsal	3.59	0.27	0.24	<b>4.10</b>
El Silencio	1.58	0.45	0.15	<b>2.18</b>
Lara			1.80	<b>1.80</b>
Arrayanal	2.70	8.02		<b>10.72</b>
Total	<b>7.87</b>	<b>8.74</b>	<b>2.19</b>	<b>18.80</b>

Ascot completed a conceptual study in 2013, which outlined mining methods, product quality, coking coal potential, logistic options and their cost benefit analysis along with base case project economics. In addition to this, Ascot continued its work towards land negotiations and preparatory work for the grant of mining and environment approvals. Studies suggested that the Titiribí project can be a low cost operation with operating costs at US\$44/t ex. mine gate or US\$84/t FOB Buenaventura Port. Capex estimates ranged from US\$8M to US\$14M depending on scenarios.

In HDR | Salva Opinion, the Titiribí Project is an advance exploration project as some of the tenements comprising the Titiribí Project have been explored in detail and a Mineral Resource Estimate in accordance with JORC (2012) has been reported. However, a definitive feasibility study has not yet been completed.

Information on the project economics is not at an advanced stage to allow for a determination of meaningful NPV using valuation methods based on an Income Approach. HDR | Salva has preferred to apply a combination of two methods to value the project. The valuation methods applied includes Comparable Transactions and an Appraised Value method based on past and forecast exploration expenditure with an appropriate multiplier applied to these expenditures.

HDR | Salva's opinion of the fair market value of 100% of the Titiribí Project mineral assets and corresponding value for Ascot's 90% share at stages has been shown below:

Approach	Method	Values (\$M)		
		Low	High	Preferred
Cost-based	Appraised Valuation	4.3	6.9	5.6
Market-based	Market Comparable	3.8	7.5	5.6
Titiribí Project (100% Equity)		4.1	7.2	5.6
Ascot's Share (90%)		<b>3.7</b>	<b>6.5</b>	<b>5.1</b>

## **1 Introduction**

BDO Corporate Finance (WA) Pty Ltd (“BDO”) has engaged Salva Resources Pty Ltd (“HDR | Salva”) to prepare an independent opinion on the market valuation of Ascot Resources Ltd (“Ascot” or the “Company”) interest in the Titiribí Coal Project in Colombia. HDR | Salva understands that this report will be relied on by BDO within its Independent Expert’s Report (“IER”) as part of the proposed transaction to be presented to Ascot’s shareholders.

Ascot is a publically listed iron ore and coal explorer and developer (ASX: AZQ). Its major asset in Colombia is its 90% interest in the Titiribí Coal Project (“Titiribí” or the “Project”) in the Department of Antioquia. Ascot owns 90% of the subsidiary company Carbones de Titiribí SAS (“CdT”), a company incorporated in Colombia, that in turn is the holder of the Licences.

### **1.1 Scope**

BDO has requested that HDR | Salva provide an independent assessment and valuation of the following:

- An independent opinion on the market valuation of Ascot’s 90% interest in the Titiribí Coal Project.

### **1.2 Reporting standard**

The Report is prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts (“the VALMIN Code”) as issued in 1995 and updated in 2005. For the purposes of this Report, value is defined as “fair market value”, being the amount for which a mineral asset should change hands between a willing buyer and a willing seller in an arm’s length transaction where each party is assumed to have acted knowledgeably, prudently and without compulsion.

### **1.3 Data sources**

This review is based on the information provided by Ascot, the technical reports of consultants and previous explorers, as well as other published and unpublished data relevant to the area. HDR | Salva has carried out, to a limited extent, its own independent assessment of the quality of the geological data. The status of agreements, royalties or concession standing pertaining to the assets was, however, not investigated and HDR | Salva was not required to do so.

In developing our assumptions for this Report, HDR | Salva has relied upon information provided by the Company and information available in the public domain. Key sources are outlined in this Report and all data included in the preparation of this Report has been detailed in the references section. HDR | Salva has accepted all information supplied to it in good faith as being true, accurate and complete, after having made due enquiry as of September 2014.

### **1.4 Competent Persons and Experts statement**

Mineral asset valuation in this report was prepared by, or under the supervision of Manish Garg (B.Eng (Minerals Engineering), MAusIMM). Mr Garg has sufficient assessment and valuation experience, which is relevant to the activity that they are undertaking to qualify as an Expert as

defined in the 2005 Edition of the “Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports” (VALMIN Code).

## **1.5 Disclaimer and warranty**

This Report was commissioned by Ascot on a fee-for-service basis according to HDR | Salva’s schedule of rates. HDR | Salva’s fee is not contingent on the outcome of its valuation or the success or failure for the transaction for which the report was prepared. None of HDR | Salva’s consultants or their immediate families involved in the preparation of this valuation report have (or had) a pecuniary or beneficial interest in Ascot prior to or during the preparation of this report.

A draft version of this report was provided to the directors of Ascot for comment in respect of omissions and factual accuracy. As recommended in Section 39 of the VALMIN Code, Ascot has provided HDR | Salva with an indemnity under which HDR | Salva is to be compensated for any liability and/or any additional work or expenditure, which:

- results from HDR | Salva’s reliance on information provided by Ascot and/or Independent consultants that is materially inaccurate or incomplete, or
- relates to any consequential extension of workload through queries, questions or public hearings arising from this report.

This report may contain or refer to forward-looking information based on current expectations, including, but not limited to timing of mineral Resource estimates, future exploration or project development programs and the impact of these events on the Ascot. Forward-looking information is subject to significant risks and uncertainties, as actual results may differ materially from forecasted results. Forward-looking information is provided as of the date hereof and HDR | Salva assumes no responsibility to update or revise them to reflect new events or circumstances.

The conclusions expressed in this updated valuation report are appropriate as at September 2014. The valuation is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values outlined in this report are expressed in Australian dollars (\$) unless otherwise stated. HDR | Salva services exclude any commentary on the fairness or reasonableness of any consideration in relation to this acquisition.

## **1.6 Note on Concession Status and Material Contracts**

HDR | Salva has not independently verified the current ownership status and legal standing of the material tenements that are the subject of this Report. Instead it has relied on legal advice provided by:

- Baker & McKenzie Lawyers in Colombia

regarding the status of the material tenements underlying the mineral assets involved in the transaction and this advice confirms that the material tenements are in good standing in all material respects.

## 2 Colombia Overview

Colombia has the largest identified coal resources in South America. Geographically, Colombia is a country largely dominated by the northern extension of the Andes Mountain Chain. The Andes Mountains split into three distinct mountain ranges as they enter the southern part of the country. These relatively young mountains are steep sided and have high elevations.

These three distinct mountain ranges are identified as three distinct cordilleras. (Figure 2:1), Cordillera Occidental (West Cordillera), Cordillera Central (Central Cordillera) and Cordillera Oriental (East Cordillera).

The West Cordillera is separated by the valley of the Río Cauca from the Central Cordillera. A relatively wide valley of Río Magdalena lies on the eastern side of West Cordillera and separates it from the Central Cordillera. A hilly coastal area constructed from massive tertiary sediments lies between the West Cordillera and the Pacific Ocean.

The Northern Andes contain an abundance of tertiary aged coal deposits with huge reserves. Metamorphic clay schists and chert schists, covered by massive basaltic volcanic caps build up the West Cordillera.

**Figure 2:1 Cordilleras in Colombia**





Typical Rock types present in the Central Cordillera are metamorphic rocks such as phyllite, quartzite and metamorphic conglomerates. The metamorphic rocks are discordantly overlaid by Devonian and Lower Carboniferous continental sediments as well as Upper Carboniferous and Permian marine sediments. In the east edge is a mixture of Triassic ignimbrites and Cretaceous conglomerates, graywackes, pyroclastics and lime-sandstones.

The East Cordillera has a complex structure. At three places, its pre-Triassic basement outcrops to the surface. From the south to the north these are at Garzón, Quetamé and at Santander. The rock contains highly metamorphosed gneisses and granulites.

Compared to other regions in the South American continent, the unique geological conditions prevalent in Colombia were more conducive to coal formations. Coal was deposited in Colombia at two separate times during the past 65 million years: at the beginning of the Tertiary Age (Paleocene) and mid-way through the Tertiary during Oligocene-early Miocene times. Both of these periods saw warm temperatures, abundant rainfall and higher Carbon Dioxide (CO<sub>2</sub>) levels, all of which promoted the development of coal in swamps in the lowland interface between the mountains and the oceans. These coal deposits are located at nine different identified basins (Figure 2:2 and Table 2:1). The presence of the mountains play a large role in its coking potential, the method of mining and transport solution to port.

According to estimates given by the Ministry of Mines and Energy, Government of Colombia, Colombia has a total known coal resource base of 6.6Bt of which 75% of its coal resources are of thermal grade.

**Table 2:1 Coal Inventory in Colombia**

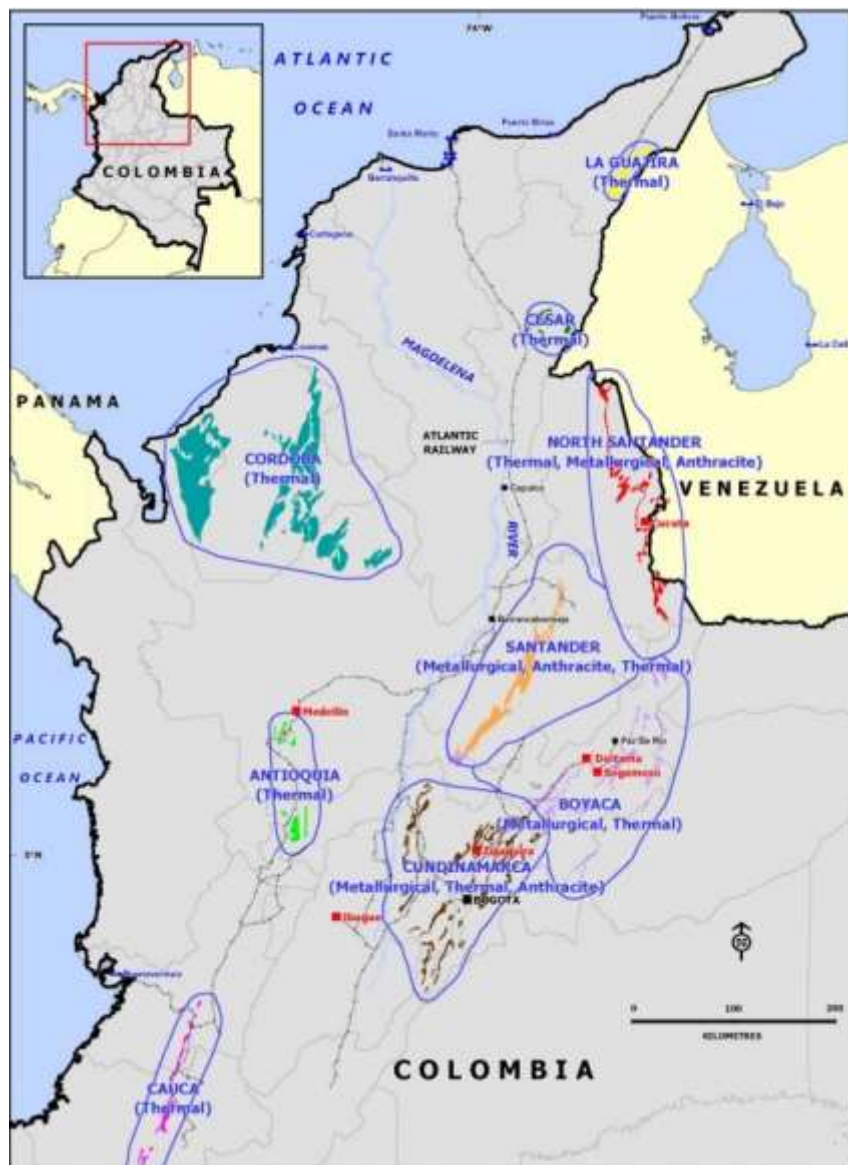
Region / Zone	Coal Resources (Mt)
La Guajira	3,728
Cesar	1,815
Córdoba	379
Cundinamarca	225
Boyacá	157
Norte de Santander	107
Antioquia	87
Santander	55
Valle del Cauca	41
Total	6,593

Source: Ministry of mines and energy, Republic of Colombia

Most of the thermal coal deposits present in Colombia are located within the north eastern plains of the country, with the largest situated in the Guajira and Cesar departments. These coal mines have very large resource base with favourable stripping ratio. Colombian surface mineable coal seams are reasonably flat lying or if dipping steeply, they have relatively limited depth of cover. Thermal coal produced in Colombia is generally bituminous in rank and has low ash and sulphur content. Emerging coking coal provinces are located in the central and southern regions, where infrastructure is limited. Most of the coking coal produced in Colombia comes from underground mining operations with very difficult geological conditions. These underground coal seams are

dipping at an angle of 30° or greater which restricts the deployment and manoeuvring of underground mining equipment. Most of the underground coal mines are being worked out by artisanal methods. The most common method used in Colombia is that of sub-level stoping. This method allows mining seams as thin as 0.8 m to be mined using pneumatic picks and small-scale rail haulage to produce the coal. These underground coal mines have very limited production capacity.

**Figure 2:2 Coal Basins in Colombia**



Source: modified after New age Exploration limited presentation

Colombia is the largest producer of coal in South America and 5<sup>th</sup> largest exporter in the world. Coal production is mostly controlled by large, global mining companies who own and manage their own production and raw material supply chains, including rail and port capacity. Carbones del Cerrejon (33Mtpa), the largest Colombian producer, is owned in equal shares by Anglo American, BHP Billiton and GlencoreXstrata. Other major producers include, Drummond International, GlencoreXstrata and Goldman Sachs.

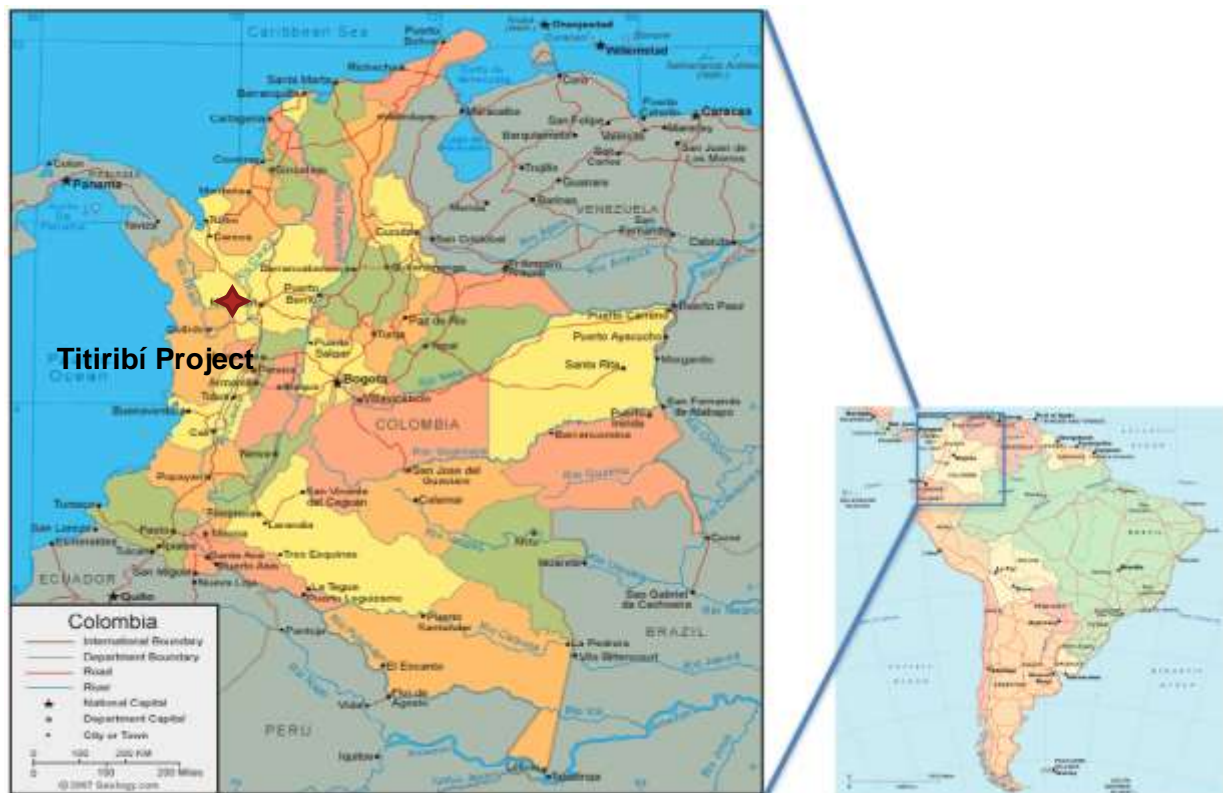


### 3 Titiribí Coal Project

#### 3.1 Location, Infrastructure and Tenure

The Titiribí project is located in the Antioquia Department in the northwest part of Colombia (Figure 3:1). The Antioquia Department is spread into an area of 63,612 Km<sup>2</sup> and borders with Córdoba Department and the Caribbean Sea to the north, Department of Caldas and Risaralda to the south, Chocó Department to the west and Bolivar, Santander and Boyaca Departments to the east. Antioquia is one of the 32 departments of Colombia with an approximate population of 6.6M people. Antioquia is divided into 9 sub regions containing 126 different municipalities. Medellin is the capital city of the department, which is also the second most populous city after the Colombian capital Bogota, with a population of approximately 3M.

**Figure 3:1 Titiribí Project location**



The Titiribí Project lies in the south western part of the state within and adjacent to the Municipal Boundaries of the Titiribí region. In addition to gold and other precious metals, the Titiribí region also hosts high rank coal, mainly found in the middle member of Amagá Formation.

The Titiribí Project lies in the southern Antioquia region at approximately 70km southwest of the capital city Medellin. The Project is accessed from the city of Medellin via highways #25 and #60 to the town of Titiribí. The project is accessible by 5.2km of unpaved gravel road to the east of the town of Titiribí. Figure 3:2 shows the route of the road accessing the Project from Medellin. The route is hard-surfaced from Medellín to the town of Titiribí, and an unpaved road connects the town of Titiribí to the Project area.

**Figure 3:2 Location and Access to Titiribí Project**

Source: Google Maps, HDR | Salva

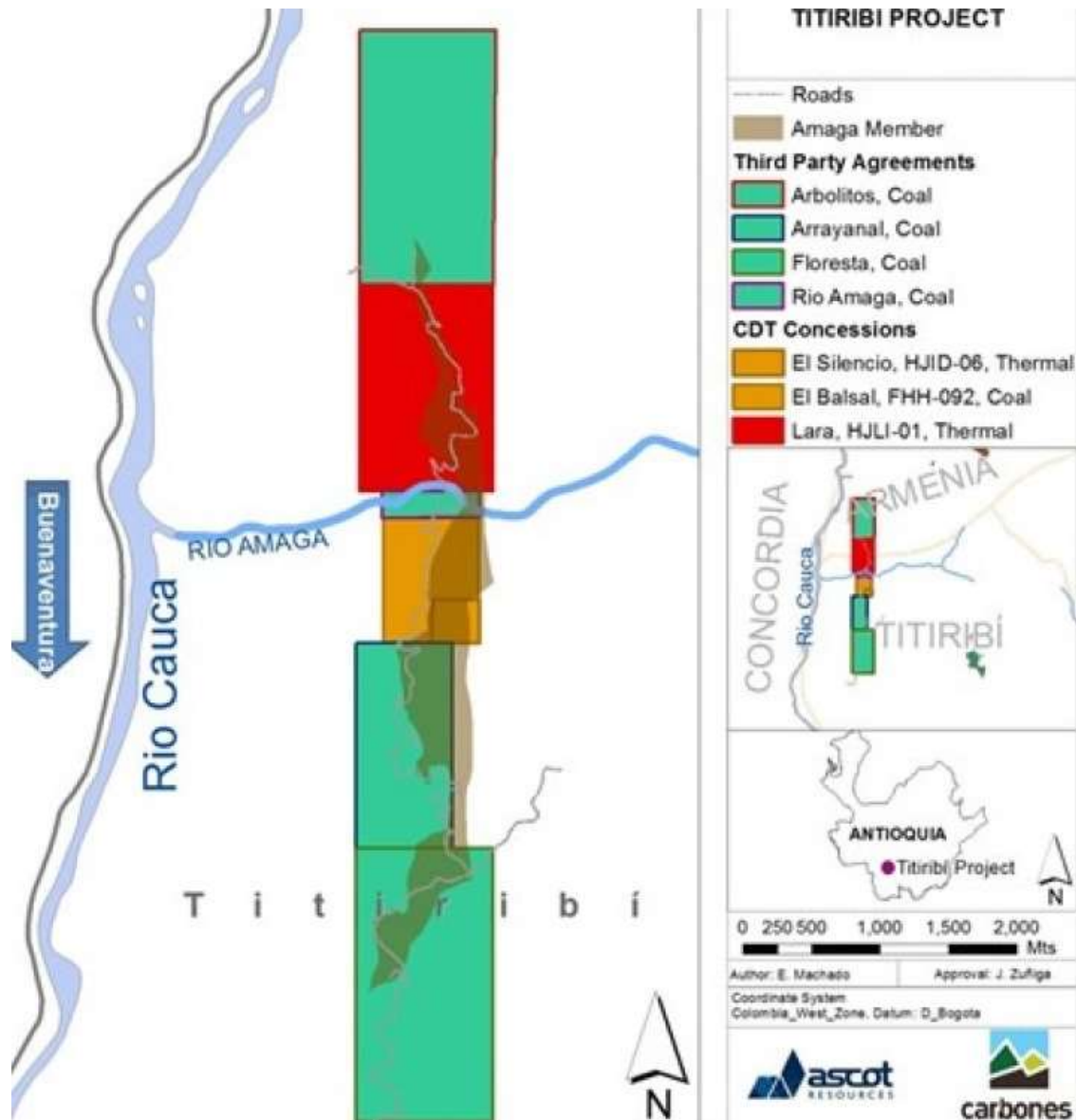
Coal-bearing strata are located on the western flank of the Cordillera Occidental on the eastern side of the Cauca River. This area is dominated by high ridges with steep flanks that are bounded by relatively flat, small valleys. The major rivers flow north to south with minor tributaries entering in a roughly perpendicular direction from east and west. The Rio Cauca is a dominant physiographic feature in the area, flowing from south to north. River Rio Amagá, a tributary of Rio Cauca flows through the concession area.

The Titiribí region enjoys tropical climate, and for most of the year experiences a spring-like climate. Rainfall is not uncommon throughout the year but the rainy season generally falls between October to December. Temperatures are sub-tropical ranging from 12°C to 30°C.

### 3.2 Ownership and Licenses

HDR | Salva has prepared this report upon the understanding that Ascot has a 90% interest in CdT which owned tenements (HJBN-04, HJID-06 and HJLI-01) and have a binding arrangement with third party for transfer of remaining tenements (Figure 3:3).

**Figure 3:3 Titiribí Project Tenements**



Source: Ascot Resources ASX Announcement dated 17 December 2013

The project consists of 6 exploration licenses, as set out in Table 3:1 below, covering a total land area of approximately 503 Ha.

**Table 3:1 Titiribí Project Tenements**

Name of Tenement	Status	Date Granted	Expiry Date
El Balsal (HJBN-04)	Granted	30 Jan 2009	30 Jan 2038
El Silencio (HJID-06)	Granted	4 May 2009	4 May 2038
Lara (HJLI-01)	Granted	2 July 2009	2 July 2038
Arrayanal & Floresta (H5849005)	Granted	25Oct 13	25 Oct 42
Arbolitos (B5849005)	Granted	25 Oct 13	25 Oct 42
Rio Amaga (HEPO-05)	Granted	25 Oct 13	25 Oct 42

HDR Salva has not independently verified the current ownership status and legal standing of the material tenements that are the subject of this Report. Instead it has relied on legal advice, provided by:

- Baker & McKenzie Lawyers in Colombia

regarding the status of the material tenements underlying the mineral assets involved in the transaction and this advice confirms that the material tenements are in good standing in all material respects.



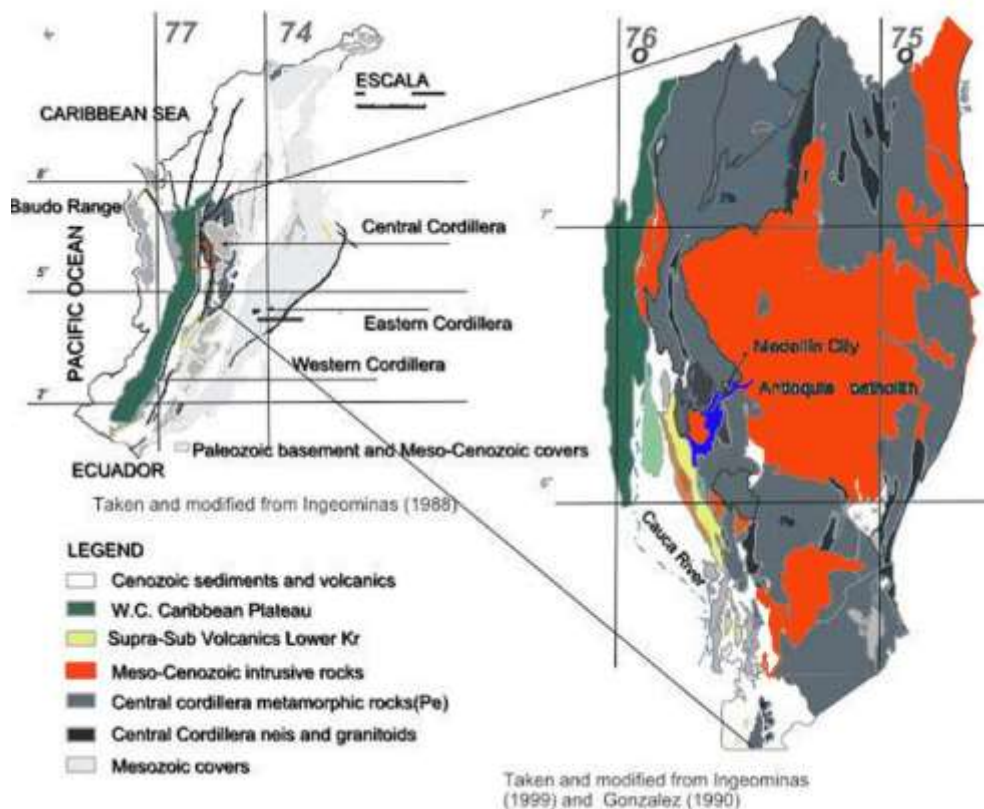
## 4 Regional Geology

### 4.1 Geological Settings

Antioquia lies in the northern part of the western limb of the Andes Mountain, commonly known as the Cordillera Occidental. The Cordillera Occidental is known to host a number of minerals occurrences, including coal. The coal was deposited at two different periods, the Miocene and the Oligocene (between 5M and 34M years ago). In the lowland, located along the margins of the Andes, swamps were developed which facilitated the formation of coal seams in this area. Significant variations in the number of coal seams have been observed within the province. Subsequent to the coal being deposited, continued compression between the South American continent and the subducting Nazca plate caused the younger sediments to be folded and faulted with the long axis of folding and faulting oriented parallel to the Pacific coastline. Primary faults in this area are generally oriented north to south with a  $60^{\circ}$  dip to the east. Compression has been further enhanced by the emplacement of an intrusion near the centre of the Department of Antioquia. Figure 4:1 shows the extent of igneous rocks in the vicinity of Medellin. Subsequent geological events have resulted in cross faulting at an angle to these major faults. These faults may be either reverse or normal in nature.

Regionally, the topography of the area is predominated by high ridges with steep flanks that are bounded by relatively flat small valleys. The major rivers flow north to south with the minor tributaries entering in a roughly perpendicular direction from east and west.

**Figure 4:1 Intrusive rocks in Antioquia Region**

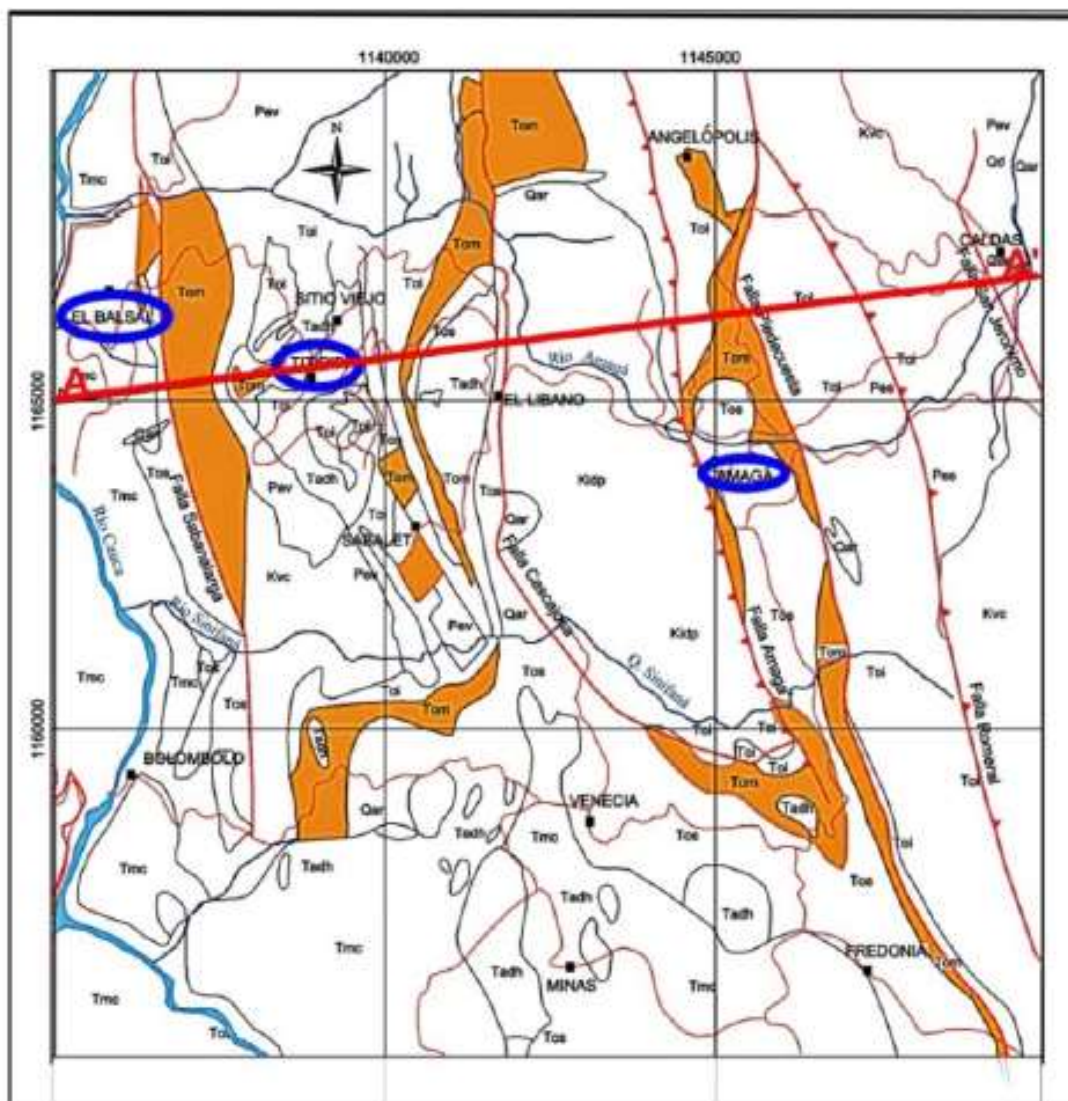


Source: Behre Dolbear - Titiribi Project Field Report

There are smaller igneous intrusions which occur in the vicinity of the Titiribí area which also act as host rocks for gold deposits found in the area. These intrusive and associated rocks also created conditions which were conducive to the formation of coking coal in the Amagá area, which is present in the east of the Titiribí Project, historically known for producing excellent quality coking coal.

The generalized geological map of the Southern Antioquia area (Figure 4:2) shows the coal-bearing Amagá Formation (Tcm) in brown. El Balsal, Titiribí and Amagá coal areas are shown circled in blue. The area is severely faulted with the general strike of the faults observed to be in a north-south orientation. Emplacement of a large intrusion created westward-directed compressional forces in the Titiribí area and forced rocks of the Quebradagrande Complex to be thrust over the younger coal bearing rocks of the Middle Member of the Amagá Formation.

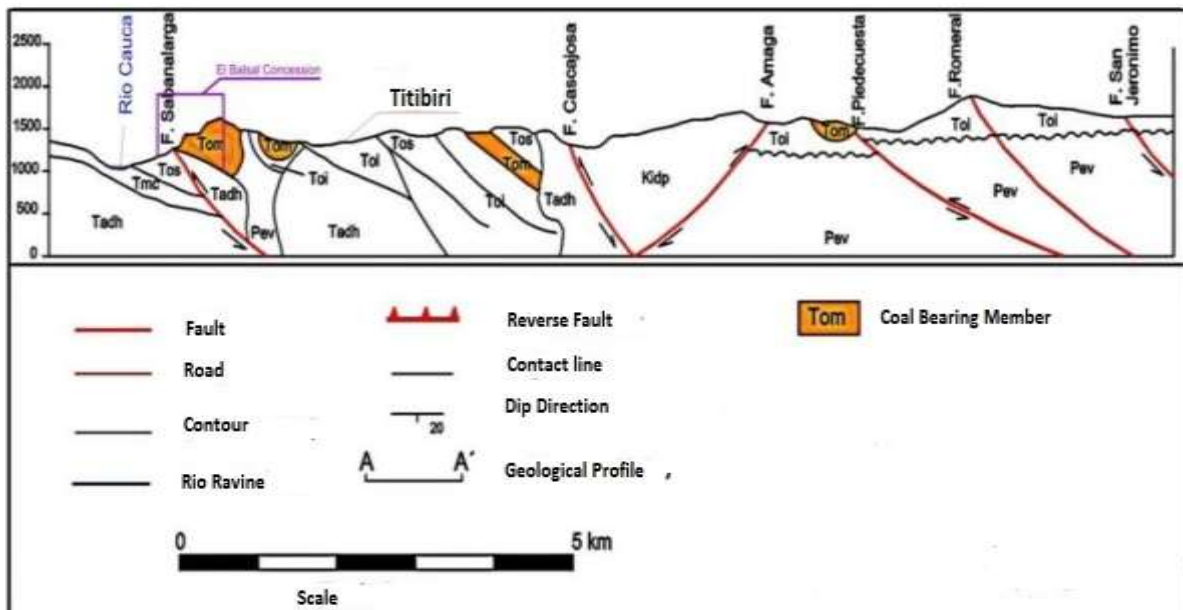
**Figure 4:2 Generalised Coal Area in Southern Antioquia**



Source: Behre Dolbear - Titiribí Project JORC Report

Figure 4:3 shows a cross-section across the area depicting the presence of the coal bearing Amagà Formation in the southern part of Antioquia.

**Figure 4:3 Sectional map of coal bearing Amagà formation**



Source: Salva, Behre Dolbear - Titiribí Project JORC Report

The Amagà Formation is tertiary in age and was deposited during the late Oligocene and middle Eocene geological era. It was deposited in a low elevation, fluvial environment. This coal formation (Amagà) crops out over approximately 700 km<sup>2</sup> within the Department of Antioquia. Based on the presence of coal layers, the Amagà formation has been subdivided into three members: lower member (Toi, Conglomeratic containing mainly diorite, chert, and milky quartz with insignificant coal), Middle member (Tom, alternate layers of sandstones and claystone, generally coal rich) and upper member (Tos, no coal).

Out of three members explained above, the middle member (Tom) is most significant in terms of coal. Thicker coal seams occur in this formation. These seams tend to be limited in areal extent by later faulting, thicknesses range from 0.5m to slightly over 5m. The upper portion of this member is gradational with the overlying Upper Member.

The Combia Volcanic overly the Amagà Formation in part of the area. It ranges in age from Eocene to Holocene and is probably responsible in part for forming conditions conducive to the formation of coking coal.

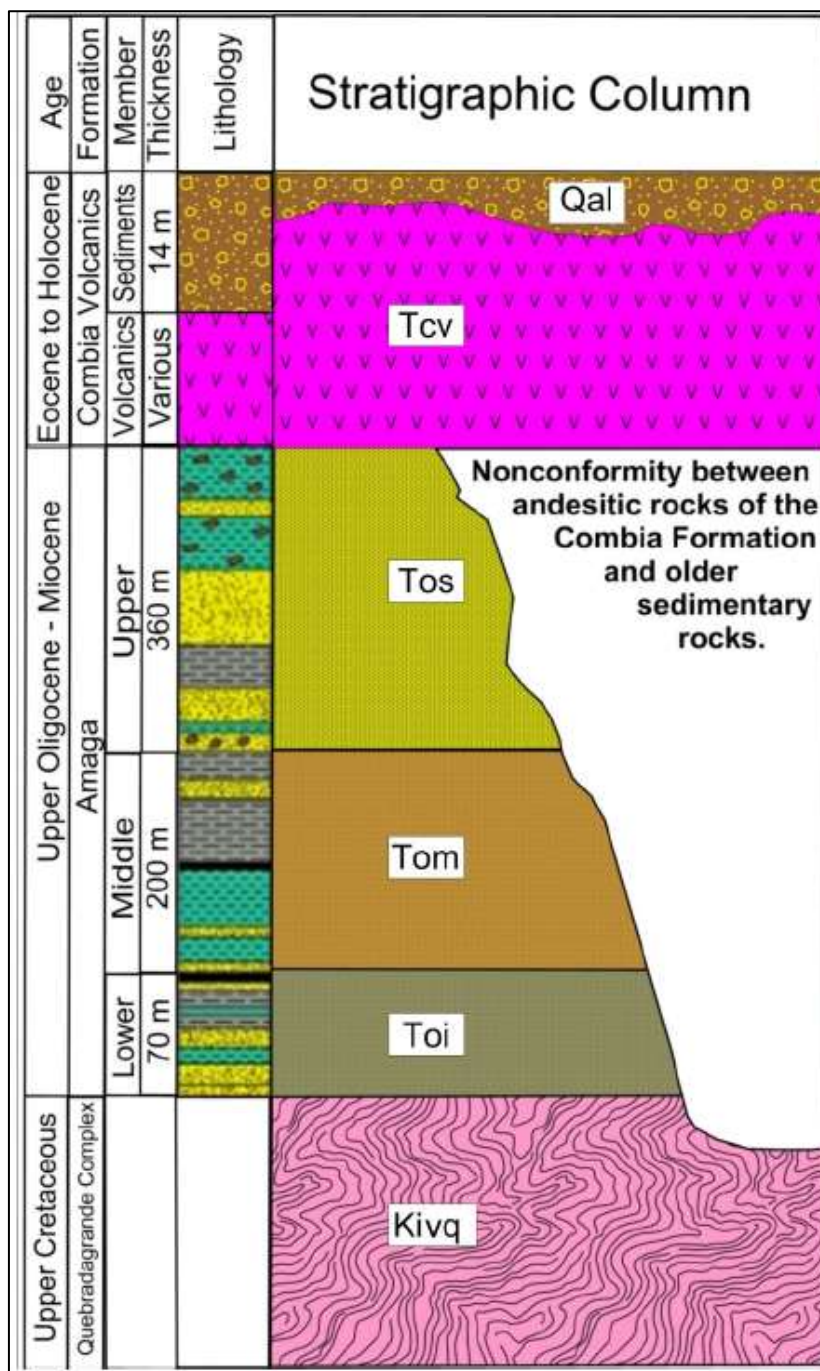


## 4.2 Generalised Stratigraphy

Rock units in the Titiribí area comprise the Quebradagrande Complex (Cretaceous), the Upper, Middle, and Lower Amagá Formation (Tertiary), and the overlying Combia Formation (Tertiary), as well as unconsolidated Recent alluvium and colluvium (Gemi, 2013).

The Middle Member of the Amagá is coal bearing and has been exploited by small artisanal mines in the area. Figure 4:4 shows the general stratigraphic section for the coal-bearing Amagá Formation in the Titiribí area.

**Figure 4:4 Generalised Stratigraphic Column - Amagá Formation**



Source: Behre Dolbear - Titiribí Project JORC Report



The Amagá Formation is Tertiary in age and is the major coal-bearing formation in the Titiribí area. It was deposited during the late Oligocene and into the middle Eocene and consists of three members that have been mapped in central and southern Antioquia. These members are referred to as the:

- Lower Member (Toi)
- Middle Member (Tom)
- Upper Member (Tos)

The Amagá Formation rests discordantly on the earlier Quebradagrande volcanic and metamorphic rocks. In places, the formation has been intruded by later (Miocene-Pliocene aged) igneous rocks of the Combia Formation. The Amagá crops out over approximately 700km<sup>2</sup> within the Department of Antioquia.

### **Lower Member of Amagá Formation (Toi)**

This member consists of conglomeratic zones interleaved with sandstone and siltstone. The conglomerate is composed of metamorphic rocks, diorite, chert, and milky quartz derived from the basement rocks in the area. The sandstone units are lenticular and cross stratified in some areas. Minor coal seams, ranging from 0.05m to 0.10m thick, have been identified in the upper part of the member.

### **Middle Member of Amagá Formation (Tom)**

Sandstone and siltstone of the Middle Member are gradational with those of the underlying Lower Member. Thicker coal seams occur in this member with thicknesses ranging from fractions of a metre to more than 10m in the northern part of El Balsal Concession. Generally, the thicker seams occur in the lower part of the section while thin coals appear higher in the stratigraphy. Seams tend to be limited in areal extent by post-depositional faulting. The upper portion of this member is gradational with the overlying Upper Member.

### **Upper Member of Amagá Formation (Tos)**

The Upper Member is characterised by the absence of coal. It is composed of dark grey, fine-grained sandstone, siltstone, and shale. Limey concretions are common in the upper part of this member. Thin conglomeratic beds have been mapped in the lower part of this member and include fragments of coal in the matrix.

## **4.3 Local Geology**

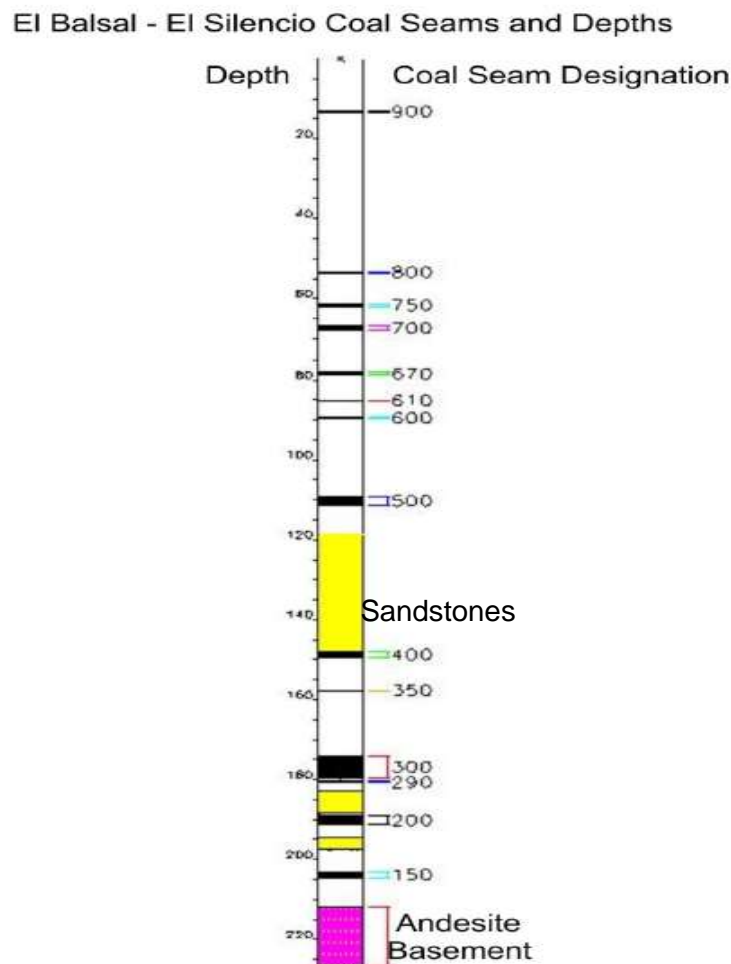
According to Behre Dolbear's JORC Report on the Titiribí coal concession, at least 14 coal seams crop out in this formation within the El Balsal/El Silencio concession areas. The Amagá formation is approximately 550m in thickness and sharply defined by the volcanic rocks that

enclose the formation. The middle member is transitional between the upper and lower members and hosts coal of potential commercial value.

The coal seams in El Balsal/El Silencio Concession strike north-south and dip to the east basically sub-parallel to the two major thrust faults they are sandwiched between. Most surface geological mapping in the El Balsal/El Silencio Concessions has interpreted the main thrusts, but no significant cross-cutting faulting. Recent mapping by Gemi (2012) interpreted a cross-cutting fault, but this was not supported by subsequent drilling in 2013.

Within the El Balsal / El Silencio concession, Middle Amagá coal stratigraphy was developed by Behre Dolbear based on drilling data gathered from the exploration program. Out of 14 different coal seams identified by Behre Dolbear, 5 seams were categorised as main seams with thicknesses ranging from 1.8m to 6.2m (Figure 4:5).

**Figure 4:5 Generalised Stratigraphic column of El Basel / El Silncio Concession**



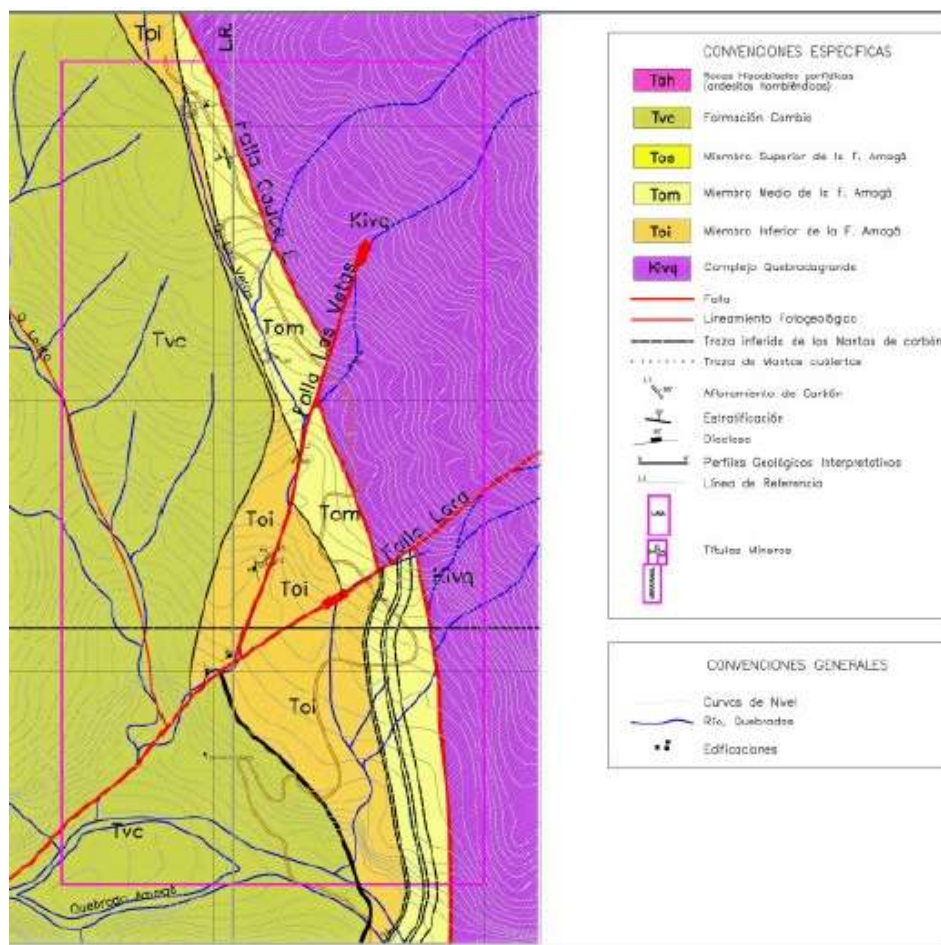
Source: Behre Dolbear - Titiribi Project JORC Report

At the Lara Concession, the local geology is similar to that of the El Balsal / El Silencio Concession except that there have been several significant cross faults mapped within the concession. The coal-bearing Middle Member of the Amagá Formation (Tom) crops out in the eastern part of the Lara Concession, as shown in Figure 4:6.

Unlike the southern areas, the Lower Member of the Amagá Formation (Toi) has been mapped in this area. The sedimentary rocks of the Amagá Formation are in faulted contact with the Quebradagrande Complex in the east and are overlain by the Combia Formation to the west.

Andesite intrusive rocks are exposed in road cuts on the extreme northern part of the concession and resistivity surveys conducted in 2013 strongly suggest their presence near the middle and southern part of the concession. The presence of the igneous intrusions likely accounts for the cross-cutting strike-slip faults mapped at angles to the major faults in this area.

**Figure 4:6 Generalised Surface Geology, Lara Concession**



Source: Behre Dolbear - Titiribi Project JORC Report

Lara Concession has not been fully explored but exhibits coal outcropping adjacent to ranch roads located immediately north of the El Basal and El Silencio tenements. A single drill hole in the southern part of the Lara Concession intersected 8 separate coal seams having an aggregate thickness of 21m. Two other drill holes were drilled into the andesite that underlays the coal measures but no coal was encountered during this drilling.

## 5 Recent Exploration

The Titiribí area has been explored by several explorers in the past. The first systematic exploration of the area was carried out in 1926 when Emil Grosse conducted surface mapping of the area.

During 2009, Gemi (a geological services and engineering company located in Medellín, Colombia) carried out geological mapping of the area using surface traverses. During exploration, Gemi used heavy equipment, mainly to dig trenches in order to examine the coal and enclosing sedimentary rocks. Gemi identified nine coal seams in the Concession area with relatively steep dips and prepared a detailed geological map. This map projected potential locations for coal seams. Unfortunately, the projected locations for the coal seams were in error and the map did not honour the topography within the boundaries.

Subsequently in 2012, Ascot – via its 90% owned JV, CdT – took up the Project and contracted Medellín based consulting firm GEOMinas to remap the area using photo geological techniques. GEOMinas also interpreted several cross-cutting faults in both Northern (Lara) and Southern (El Balsal/El Silencio) tenements.

This was followed up by a field geophysical study in 2013, with an objective to determine the resistivity and magneto-telluric makeup of the rocks. The studies were conducted by HGS and overseen by HGS's representative in Colombia. Resistivity soundings were taken at 25m spacings on a series of lines running generally west to east. Resistivity surveys indicated that the coal is underlain by an Andesite intrusion that has improved the coal rank and has transformed much of the coal into coking coal. The study indicated that the intrusion has also cut-off some of the lower-most coal bearing strata. This was confirmed by subsequent drilling.

During 2013, CdT completed a drilling campaign on the El Basal, El Silencio, and Lara tenements (Figure 5:1). A total of 23 holes were drilled in the El Basal, El Silencio, and Lara tenements; 17 HQ diamond drill holes (2,897m) and 6 open holes (844m) were drilled. Most of the holes were angle drilled in order to help minimise thickness variations. All holes were logged with slim hole geophysical tools and compared to the geologist's lithology logs. Geophysical logs included gamma ray, gamma-gamma density, verticality, coal density, temperature, and calliper.

**Figure 5:1 Drilling on Titiribí Project (2013)**



Source: Ascot Resources

The data generated from the drilling was used by Behre Dolbear to create a Geological Model and the Mineral Resource estimate for El Basal, El Silencio, and Lara tenements.

Following this, CdT also conducted a preliminary surface geophysical (resistivity) survey on surrounding tenements, coupled with coal outcrop data, photo geological mapping and projections from existing drilling. The results from these activities strongly suggested the upside potential for the expansion of the resource bearing area. As a result of this, Ascot entered into a binding arrangement for three additional concessions immediately adjacent to the north and south of the El Basal, El Silencio, and Lara tenements.

The analysis of geological mapping and non-invasive geophysical exploration work was extended into the Arrayanal Concession, which presented a significant opportunity to increase the resource base. The geological model was reviewed and the projected tonnage in the Arrayanal Concession was also included in the updated resource estimate.

Table 5:1 below summarises exploration activity conducted on the Titiribí Project concessions by CdT.

**Table 5:1 Exploration Activities conducted by CdT on Titiribí Project**

Activity	Scope	Results
Historical Data Review  (July – October 2012)	Grosse (1926), INGEOMINAS (1983), ECOCARBÓN (1995)	<ul style="list-style-type: none"> <li>Confirmation of coal seam outcrops in the Amagà Formation.</li> <li>Limited historical mining had taken place at El Silencio and El Balsal.</li> <li>Historical Colombian resource estimate for</li> </ul>



		underground coal mining.
<b>Photo Geological Interpretation And Mapping (July – October 2012)</b>	<p>Photos (approximately 1:10,000 m scale)- GEMI 2011 &amp; 2012</p> <p>Landsat image (30 m resolution)</p> <p>IGAC topography (10,000 m scale) interpolated at 10 m.</p>	<p>1:5,000 m scale mapping, which defined:</p> <ul style="list-style-type: none"> <li>• The Middle unit of the Amagà Formation as the most prospective for mineable coal seams</li> <li>• Geological contacts</li> <li>• Key internal structures</li> <li>• Occurrence, thickness, character, and preliminary distribution and correlation of coal seam.</li> </ul>
<b>Ground Geophysics Resistivity (April – May 2013,)</b>	<p>Audio-frequency Magneto-telluric Technique (AMT) and Controlled Source Audio-frequency Magneto-telluric Technique (CSAMT) using STRATAGEM instrumentation (Scintrex Ltd, Canada)</p> <p>El Balsal and El Silencio – 5,919 m Lara – 4,176 m, Arrayanal – on model of coal resources in southern El Balsal and El Silencio.</p> <p>Direct current imaging collected via earthed electrodes (Lund) to provide tighter control to a depth of about 120 m from surface</p> <p>El Balsal and El Silencio – 4,250 m, Lara – 2,970 m</p> <p>typically collected at 25 m intervals</p> <p>lines 100 m apart oriented approximately east-west</p> <p>Bostick and Occam's Razor inversion processes were undertaken for comparison.</p>	<p>Definition of:</p> <ul style="list-style-type: none"> <li>• Amagà Formation boundaries</li> <li>• Internal Structures</li> <li>• Depth of weathering</li> </ul>

<b>Drilling (January – June 2013 )</b>	<p>20 hole program at El Balsal, El Silencio, and Lara tenements for 3,262 m</p> <p>14 HQ diamond holes for 2,418 m</p> <p>6 open tricone holes for 844 m</p>	<p>All drill holes at El Basal and El Silencio and one drill hole at Lara had multiple coal intercepts with apparent (drill) thickness exceeding 0.8 m.</p>
<b>Geological logging - January to June 2013,</b>	<p>20 hole program at El Balsal, El Silencio, and Lara tenements for 3,262 m</p> <p>14 HQ diamond holes for 2,418 m</p> <p>6 open tricone holes for 844 m</p> <p>3 HQ diamond holes at Lara for 479 m.</p>	<p>Permit correlation of some 14 individual coal seams</p> <p>Define the depths and apparent thickness of coal seams and geological marker beds and structures</p> <p>Support coal sample recovery calculations.</p>
<b>Drill Core Coal and Partings Sampling and Analysis (Carbones de Titiribí SAS , January- May 2013)</b>	<p>El Balsal and El Silencio</p> <p>85 core samples</p> <p>10 QA/QC samples</p> <p>21 partings samples</p> <p>Lara – 9 core samples.</p>	<p>Permit coal quality study and determine JORC-compliant coal samples for resource estimation.</p>

Source: Ascot Resources, Behre Dolbear JORC Report, Quarterly Activities Report –Ascot Resources

## 6 Coal Resource Estimates

The surface topographic model was prepared by Behre Dolbear. It is comprised of inputs from Colombian geographic data (1979), calibrated by 5 local topographic stations, resistivity survey points, drill hole locations, and local road surveys which were all surveyed by Estudio T-Rural.

During 2013, a total of 23 holes were drilled in the El Basal, El Silencio, and Lara tenements; 17 HQ diamond drill holes (totalling 2,897m) and 6 open holes (totalling 844m). The data generated from drilling and downhole geophysical logging done by Weatherford International, was interpreted by Behre Dolbear. This was used in combination with resistivity data and geological drilling & logging to determine the depth and thickness of coal seams. This was followed by construction of the geological resource model to estimate Coal Resources using Minex<sup>®</sup> software by The Americas Group, Inc., working under instruction of Behre Dolbear.

More than 95% of the Coal Resource estimate is above a depth of 300m. However, additional Inferred Coal Resources were estimated at more than 300m depth (0.23Mt and 0.15Mt for El Balsal and El Silencio) and reported separately. Because of the variability in the amount of parting material within each of the coal seams and the fact that not all of the partings were analysed, Behre Dolbear used an average density of 1.30t/m<sup>3</sup> to estimate Coal Resources.

Behre Dolbear estimated a Coal Resource of 18.80Mt for the Titiribí Project (Table 6:1) reported in accordance with JORC (2012). The Coal Resource estimate is classified as 7.87Mt Measured, 8.74Mt Indicated and 2.18Mt Inferred.

**Table 6:1 Coal Resource Estimate Titiribí (JORC 2012)**

Tenement	Resource (Mt)			
	Measured	Indicated	Inferred	Total
El Balsal	3.59	0.27	0.24	4.10
El Silencio	1.58	0.45	0.15	2.18
Lara			1.80	1.80
Arrayanal	2.70	8.02		10.72
<b>Total</b>	<b>7.87</b>	<b>8.74</b>	<b>2.19</b>	<b>18.80</b>

Source: Behre Dolbear - Titiribí Project JORC Report

The Measured and Indicated Coal Resource tonnages at the Arrayanal tenement were determined by projecting geological modelling results from the southern extremes of the adjoining El Balsal and El Silencio tenements into the northern part of the Arrayanal tenement. This was based upon the drill holes in the extreme southern part of El Balsal and El Silencio. Behre Dolbear used the radii of influence from those drill holes to identify Measured Resources (radius 0 to 150m) and Inferred Resources (radius 150m to 400m). These areas of influence underpin estimates of 2.70Mt Measured and 8.02Mt Indicated in the Arrayanal tenement.

These projections were supported by geological mapping and resistivity analysis. Behre Dolbear believes that coal continues into the western and southern parts of the Lara tenement and to the south of the Indicated tonnage area in the Arrayanal tenement.



## 6.1 Coal Quality

Analytical data from the 14 cored holes at the El Balsal and El Silencio tenements, comprising 85 coal samples, was used to construct a coal quality model to define the coal quality or the Coal Resource. Definitive coal quality results received from independent testing specialists, SGS Group, was reviewed by Behre Dolbear and coal quality consultants, Bluefield Group, to ascertain likely product qualities and marketability. The review included a study of 10 Quality Assurance and Quality Control (QA/QC) samples. Some 15 samples were excluded due to insufficient sample recovery. Table 6:2 provides a breakdown of coal quality, on a weighted average basis across all intercepted seams.

**Table 6:2 In-situ Coal Quality, Titiribí Project**

Seam ID	Number of Seam Samples	Geop Thickness(m)	Moisture (%)	FSI	Relative Density (t/m3)	Moisture (%)	AR Ash (%)	AR Sul (%)	AR Vol (%)	AR FC (%)	AR Kcal/kg
800	1	1.21	1.9	8.5	1.3	6.23	10.75	1.56	36.82	46.2	7,088
750	2	0.86	1.61	8.3	1.27	3.39	10.75	2.35	37.57	48.29	7,313.1
700	2	1.9	1.08	8.3	1.4	5.4	22.72	1.76	33.42	41.31	6,254.88
670	2	1.46	5.1	4.3	1.23	10.81	5.2	1.31	33.97	50.01	6,671.66
610	3	0.86	1.5	8	1.41	6.98	18.44	3.76	32.93	42.67	6,395.88
600	6	1.62	1.99	8.5	1.24	7.07	10.8	1.62	35.73	46.4	6,966.4
500	6	2.85	1.74	7	1.24	6.88	7.41	1.26	36.6	49.11	7,280.77
450	1	0.55	2.77	8.5	1.2	5.96	3.71	0.97	36.75	53.58	7,691
400	6	3.57	2.46	6.8	1.27	9.01	8.1	1.13	37.5	45.39	6,923.12
300	8	5.15	2.24	6	1.27	8.51	7.99	0.67	35.91	47.59	6,852.06
290	2	0.64	2.6	1.8	1.52	11.63	22.95	1.56	30.37	35.05	5,152.3
250	1	0.5	N.D.	N.D.	1.49	8.74	19.95	1.93	32.86	38.44	5,693.01
200	5	1.8	2.41	7	1.29	9.2	7.38	1.59	35.76	47.66	6,919.94
150	4	2.71	2.12	7	1.29	9.28	6.07	0.71	35.14	49.51	7,126.29
Minimum Value	1	0.5	1.08	1.75	1.2	3.39	3.71	0.67	30.37	35.05	5,152.30
Median Value	3	1.54	2.12	7	1.28	7.79	9.42	1.56	35.74	47	6,921.53
Maximum Value	8	5.15	5.1	8.5	1.52	11.63	22.95	3.76	37.57	53.58	7,691

Source: Behre Dolbear - Titiribí Project JORC Report

### 6.1.1 Coking Coal Assessment

As a part of resource estimation for the Titiribí Project, drill core samples were tested for their coking coal properties. The following coal tests were conducted on the coal samples

**CSN/FSI:** Titiribí Project coal FSI ranges from as little as 0.5 for one of the thinner coal seams to as high as 9 for the thicker seams. The average FSI value is 7.5.

**Vitrinite Percentage (%):** Detailed core logging resulted in an estimate of vitrain proportions in the range of 60% to 75%. Vitrain bands, exceeding 3.5cm in thickness, are common in the lower coal zones.

**Reflectance:** Reflectance tests were conducted on 10 samples taken from seam 300. They were divided into Miscellaneous Reflectance testing, Reflectance of Reactive Macerals Reflectance of Inert Macerals and Summary of Miscellaneous coking coal Factors based on Reflectance criteria. The test results are summarised in Table 6:3 below.

**Table 6:3 Reflectance Tests Summary, Titiribí Project Coal**

Reflectance Test type	Minimum Value (%)	Maximum Value (%)	Average (%)
Coal Reflectance Tests	1.60	54.30	15.62
Coal Reactive Reflectance Tests- Total Reactive %	84.10	91.40	89.60
Coal Inerts Reflectance Tests (Total inerts-%)	8.60	15.90	10.40
Coal Reflectance Mean_Max_Reflectance (%)	0.76	0.82	0.81

Source: Behre Dolbear - Titiribí Project JORC Report

**Audibert-Arnu Dilatometer:** Dilatometer testing was carried out on samples from seam 300 from the Titiribí Project core holes. The results are tabulated below (Table 6:4).

**Table 6:4 Audibert-Arnu Dilatometer Results, Titiribí Coal**

	COAL_DILATATION, MAX_CONTRACTION (%)	COAL_DILATATION MAX_EXPANSION (%)	COAL_DILATATION SOFTENING_TEMP (°C)	COAL_DILATATION CONTRACTION_TEMP (°C)	COAL_DILATATION EXPANSION_TEMP (°C)
Minimum	-35.0	-32.0	364	416	439
Average	-26.5	-11.5	371	421	454
Maximum	-21.0	48.0	389	500	500

Source: Behre Dolbear - Titiribí Project JORC Report

**Giesler Plastometer:** Test Rest results indicated that the fluidity of coal is low with Plastometer Maximum fluidity ranging from 4ddpm to 9ddpm with an average value of 6ddpm.

### 6.1.2 Coking Coal Quality

Preliminary coal quality analysis shows that the coal has coking properties with Free Swelling Indices ranging from 1.5 to 8.5. Coal quality results indicate the coal is a medium to high volatile coking coal with relatively low phosphorous and sulphur values, with expected gross calorific values between 5,000kcal/kg to 7,000kcal/kg on an as-received basis.

The coal quality for the Titiribí Project coal has been summarised in Table 6:5 below.

**Table 6:5 Raw Coal Quality Titiribí Project**

	Moisture (%)	Ash (%)	FSI	P (%)	VM <sup>3</sup> (%)	TS (%)	CV, Adb kcal/kg
Raw Coal Quality	8.1	8.5	6.7	0.004	36	1.08	6,937

#### Notes

1. The quality results are based on core samples with no allowance for roof/ floor dilutions and losses. No Wash testing was performed. Subject to core recovery estimates being accepted
2. Weighted average of all seam analysis data
3. ASTM method used that typically gives higher values than ISO/AS methods

Source: Corporate Presentation - Ascot Resources January 2014

## 7 Preliminary Prefeasibility Study

Ascot completed a Preliminary Prefeasibility Study (PFS) in 2013, which outlined mining methods, product quality, its coking coal potential, logistic options and their cost benefit analysis along with base case project economics. In addition to this, Ascot continued its work towards land negotiations and preparatory work for the grant of mining and environment approvals.

Furthermore, Ascot engaged Sedgman Limited (ASX: SDM) to carry out detailed trade-off studies to further investigate the best option for Project economics. As a part of their engagement, Sedgman reviewed and confirmed capital and operating costs for each of the cases undertaken in the PFS.

The near surface occurrences of coal within the concession area make it amenable to be exploited by conventional open pit mining method. The average stripping ratio for the mine was estimated at 6.5bcm/t. The mining activities will be outsourced to local mining contractors. The coal product may be washed at site or sold as ROM tonnage.

As part of the PFS, Ascot investigated two possible scenarios for mine development:

### Scenario A

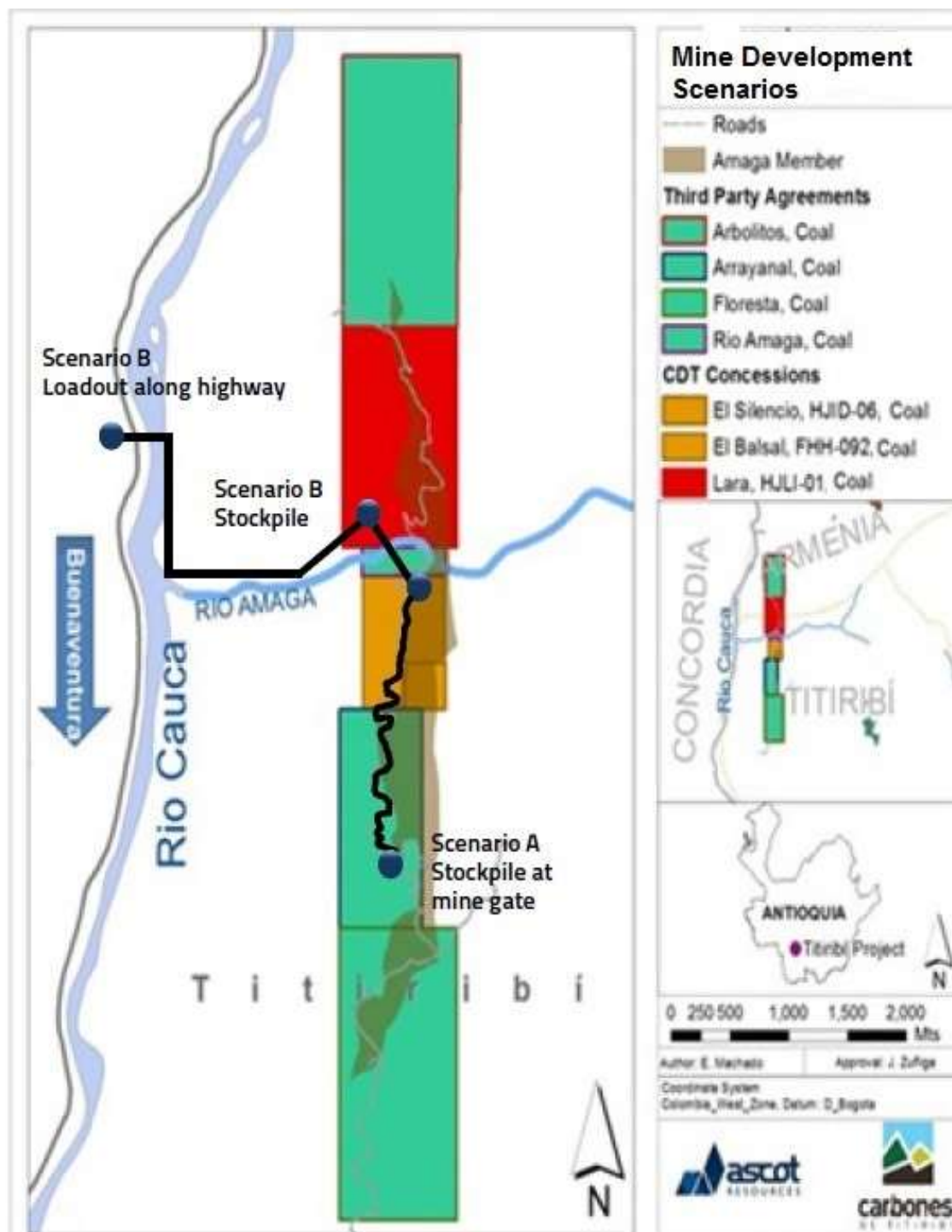
Upgrade 2km road leading from stockpile area (to be constructed within Arrayanal tenement) to main highway and sell all product coal on free carrier basis (FCA).

### Scenario B

Build a 2km bridge conveyor on River Cauca and sell 90% of product/ ROM coal on FOB basis at Buenaventura Port while remaining coal to be sold at mine gate for cement producers. The Port of Buenaventura is connected to established Pacific markets.

The potential logistics for both of the scenarios have been shown in Figure 7:1.

Figure 7:1 Mine Development Scenarios



Source: Corporate Presentation - Ascot Resources January 2014

Coal stockpiling, hauling of coal from mine site to port of Buenaventura is proposed to be done by third party logistic companies. Ascot has received quotes from 9 trucking companies and 2 port facility operators.

The Port of Buenaventura is located at a distance of 520km south-west of the Titiribí Project and is Colombia's largest metallurgical export port (by volume). The port's current export capacity is 4Mtpa, with expansion plans (currently underway) to 10 Mtpa. On account of low oil/fuel prices, good utilisation and low labour costs, trucking & road transport costs are relatively low in Colombia. Moreover, Ascot is investigating to reduce the cost further by backhauling from port.

Preliminary studies have confirmed the Titiribí project can have a low cost operation with operating costs at US\$44/t FCA mine gate (Scenario A) or US\$84/t , FOB Buenaventura (Scenario B). Capital expenditure estimates for both scenarios have been estimated as US\$8M and US\$14M for Scenario A and Scenario B respectively. The project economics for both scenarios have been summarised in Table 7:1 below.

**Table 7:1 Project Scenarios and their Economics**

Physicals	Scenario A	Scenario B
Mining Method	Open Cut	Open Cut
Mining Commencement	2015	2015
Average Coal Recovery	85%	85%
Annual Marketable Coal	250Ktpa	250Ktpa
<b>Capex and Opex</b>		
Construction Capital (US\$M)	8	14
Mining and Processing (US\$/t)	44	45
Transport, Handling and Logistics <sup>1</sup> (US\$/t)	0	39
Total Operating cost <sup>2</sup> (US\$/t)	44	84

1. Transport and logistic apply to semi soft coking and export thermal sales only

2. Includes allocation for 5% government royalty

Source: Corporate Presentation - Ascot Resources January 2014

Ascot has had discussions with major commodity traders (including Cementos Argos, the largest cement producer in Colombia) for a potential future off take agreement.

## 8 Valuation

### 8.1 Valuation Approaches

There are a number of recognised methods used in valuing mineral assets. The applicability of these methods depends on several project-specific factors including the level of maturity of the mineral assets and the availability and reliability of the information about the project.

In determining the appropriate method(s) to be used for valuation of these assets, HDR | Salva has taken into consideration the classification of these assets as defined in the VALMIN Code and the different methodologies that are generally accepted as industry practice for each classification. Generally, there are three broad methods of valuation that are used for valuing mineral assets. These are i) the cost approach, ii) the income approach, and iii) the market approach, with each being suitable for the relevant status of the exploration or mining project from grass roots exploration through to operating mine, respectively. The asset classifications that may be applied to a project are set out in Table 8:1 below.

**Table 8:1 Typical Valuation Methods**

Classification	General Description	Valuation Methods
Exploration Areas	Properties where mineralisation may or may not have been identified, but a Resource has not been identified.	Rule of Thumb, Geo-scientific method, Comparable Transactions
Advanced Exploration Areas	Properties where considerable exploration has been undertaken and specific targets identified. Resource estimation may or may not have been made. Good understanding of mineralisation present.	Geo-scientific method, Appraised Value Method, Comparable Transactions
Pre- development Projects	Properties where mineral resources have been identified but decision to proceed with development have not been made. Includes properties held on retention titles.	The above methods and DCF/NPV valuation

Source: VALMIN CODE, 2005

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



The valuation approaches that are generally adopted for exploration areas are broadly defined as inferential methods that rely on comparative or subjective inputs such as the rule of thumb or appraised value methods. These include the estimated coal content and a value of the coal derived from recent transactions. Typically, such a method values the property in \$ per unit area or \$ per tonne resource. The value would be discounted by any specific site factors as well as the status of the resource classification.

An understanding of the geology of the coal deposit, structure and defined resources places the coal area in the Advanced Exploration or Pre-Development classification phase. A large range of valuation methods are recognized for this status with some requiring a degree of subjective estimation. All have been used by valuation practitioners and usually a combination of methods is used as a cross check to the reasonableness of the input assumptions.

In HDR | Salva's opinion, the Titiribí Project is an advanced exploration project as some of the tenements comprising the Titiribí Project have been explored in detail and a Coal Resource estimate in accordance with the JORC (2012) Code has been reported. However, a definitive feasibility study has not been completed. Information on the project economics is not at an advanced enough stage to allow for a determination of a meaningful NPV of the project using valuation methods based on Income Approach.

Therefore, HDR | Salva has preferred to apply a combination of two methods to value the project due to the uncertainties attached to its progress, despite its comprehensive resource base. The valuation methods applied include Comparable Transactions and Appraised Value – which has been based on past and forecast exploration expenditure with an appropriate multiplier applied.

## 8.2 Comparative Market Transaction Method

To determine the fair market value for the resources for the Titiribí Project, HDR | Salva has reviewed recent market transactions for the tenements with identified coal assets in Colombia. To find out implied value relevant to current time and circumstances, HDR | Salva has considered only those transactions which involved the sale and purchase of coal assets that occurred during last three years.

HDR | Salva was able to identify four (4) transactions relating to coal projects in Colombia with a defined Coal Resource Estimate, which were reported to international reporting standards (JORC, NI43-101 etc.). These market transactions are listed in Table 8:2.

HDR | Salva also identified seven (7) additional transactions involving coal projects in Colombia which involved future stage payments which are triggered when a defined Coal Resource Estimate is delineated, or when first coal is extracted. The market transactions involving future payments for the coal project in Colombia is presented in Table 8:3.

**Table 8:2 Comparable Market Transaction, Titiribí Concession**

Date	Buyer	Project	Coal Type	Interest sold (%)	Project Stage	Total Resource (Mt)	Reserve (Mt)	Implied Value (100%) A\$		Adjusted Value for current coal price in A\$	
								(\$/t of Resource)	(\$/t of Reserve)	(\$/t of Resource)	(\$/t of Reserves)
Nov-13	Yildirim Holdings	San Juan Mine	Thermal	100%	Operating	5641	671.8	0.075	0.6	0.06	0.49
Nov-13	Yildirim Holdings	Canaverales and Papayal	Thermal	100%	Pre Feasibility	122	42.9	0.41	1.17	0.33	0.94
Aug-11	Colombia Clean Power & Fuels	Ruku Concession	Coking	70%	Pre Feasibility/ Operating intermittently	4.2	0	1.36	N/A	0.54	N/A
Mar-11	Pacific Coal	Cerro Largo Mine	Thermal	100%	Operating	16.6	0	4.52	N/A	2.62	N/A

Source: Company Announcements

**Table 8:3 Comparable Market Transaction involving Future Payments**

Date	Buyer	Property	Type of Coal	Future Payment (\$/t)	Key terms for future payments
Oct-10	Colombia Energy Resources Inc	FLG-092	Coking	2.00	US\$2/t extracted.
Aug-11	New Age Exploration	FL2-151	Coking	1.78	Royalty payable of US\$1.90 per saleable tonne production. Exploration target was 10 to 18 Mt of coking coal.
Feb-11	Colombia Energy Resources Inc	Otanche coal concession	Coking	2.72	US\$2.75/t extracted.
Dec-10	Tiger Realm Coal Ltd	La Libia, GFN-141B	Coking	0.20	US\$2 Million for every 10 Mt of Inferred Resource.
Dec-10	Tiger Realm Coal Ltd	Corinto	Coking	0.36	US\$14 million payment conditional upon 40Mt of mineable reserves as per Colombian coal resource and reserves classification system.
Jul-12	Ascot Resources	Titiribí Project	Coking and Thermal	0.17	Delineation of 10Mt JORC inferred Resources will result in issuing of 11 M shares  20Mt Inferred Resources-additional 11.5M shares, and additional 12M based on share price and a 38.76M shares based on quality Parameters (only 21.5M shares are considered @ \$0.15/share, price on 20 <sup>th</sup> 2012).
Maximum based on Resource Delineated				0.36	
Minimum based on Resource Delineated				0.17	

Source: Company Announcements

Note: The amount in US\$ was converted to A\$ on the basis of exchange rate prevailing on the day of transaction.

To determine fair market value of the Titiribí Project, HDR | Salva has analysed both recent Market Transactions (Table 8:2) and Comparable Market Transactions involving future payment (Table 8:3). Furthermore, considering the fact that coal market & prices are currently subdued due to potential oversupply with significant price volatility in the recent period, HDR | Salva has opted to adjust the implied value of the transaction based on current prices and the spot price of coal at the time of the transaction.

Out of transactions listed in Table 8:2, San Juan and Cerro Largo Projects are operating mines and hence HDR | Salva considers them to be superior/significantly advanced as compared to the

Titiribí Project. Yildirim Holdings transaction involving the Canaverales and Papayal Projects is further advanced as compared to the Titiribí Project as a Mining Reserve has been estimated for these projects. However, these are thermal coal projects – compared with the potential coking coal at Titiribí. HDR | Salva considers the Ruku Project to be comparable to the Titiribí Project in terms of coal quality, resource size and type of deposit (steeply-dipping, multi-seam), although artesian mining was intermittently carried out at the Ruku Project in the past.

HDR | Salva also reviewed the transactions involving stage payment based on defined Resource (Table 8:3). The Otanche Project, the FL-2 151 and the FLG-092 Project involves future payments based on the amount of material extracted (mined) rather than the Resource Delineated as such are not comparable.

Tigers Realm's acquisition of the La Libia coking coal tenement involved future additional payments equivalent to US\$0.20 per tonne of Inferred Resource which was in addition to the initial commitment equivalent of US\$2.79M for a 70% holding in the project. This equates to US\$0.20 per tonnes of Inferred Resource, which is equivalent to \$0.21/t after accounting for exchange rate at the time of announcement. Likewise, Tiger Realm's acquisition of the Corinto Project has the implied value of \$0.36/t.

Both Corinto and La Libia coking coal tenement was a part of Tiger Realm's larger Landazuri project located in Santander Department of Colombia. Landazuri Project was intended to be developed by a larger size hard coking coal project (5.3Mtpa capacity) using open pit mining method. The initial testing of coal samples resulted coal with excellent caking properties (FSI 8-9). The coal was of very low ash content (5%) eliminating the need of coal processing. However, the project coal contained high sulphur and it can be used as a blending coal only. In addition to this, at the time of acquisition the anticipated stripping ratio was 12:1 which is significantly higher than Titiribí. In June 2012, Tiger Realm withdrew from the project for the reasons attributed to high stripping ratio and unviable project economics.

The range obtained for the calculated implied value in Table 8:3 above varies from A\$0.17/t to A\$0.36/t for the projects relevant to the Titiribí Project.

HDR | Salva notes that the implied value for per tonne of delineated Coal Resources is variable and is difficult to benchmark due to the uncertainty associated with the potential to delineate pre-defined Coal Resources, along with uncertainty associated with the timing of payment. HDR | Salva also notes that none of the transactions mentioned in the Table 8:3 had JORC compliant Resources and Reserves at the time these transactions were announced. Therefore, HDR | Salva opted to consider these future payments associated with "Minable Reserve or Economic Coal" as a broad guideline only.

Considering the location, geological factors and other micro and macro-economic parameters which could affect the project economics, HDR | Salva considers that while the Ruku Project is the closest comparable project to the Titiribí Project, however the Titiribí Project is inferior to the Ruku Project as the coking coal produced from Ruku has been characterised as high quality, low volatile Hard-Coking Coal with lower sulphur impurity, which is superior to the coal from the Titiribí Project. The Ruku Project has been operated intermediately in the past and has better logistics (closer to the Port).

HDR Salva has assigned the lower bound and upper bound for the implied value of the project at \$0.20/t to \$0.40/t with preferred value of \$0.30/t. This valuation range can be considered appropriate for the project at its current stage of development.

Therefore, in HDR | Salva's opinion, A range of **\$3.8M to \$7.5M** with a preferred value of **\$5.6M** is deemed appropriate, based on the market comparable approach, reflecting the uncertainty of potential Coal Resource delineation and eventual extraction of a number of seams. A summary of HDR | Salva's market based valuation is presented in Table 8:4.

**Table 8:4 Market based valuation of Titiribí coal project, Colombia**

Item	Resource (Mt)	Market value (\$M)		
		Lower	Higher	Preferred
Titiribí Project	18.8	\$0.20/t	\$0.40/t	\$0.30/t
Project Value (\$M)		3.8	7.5	5.6

### 8.3 Appraised Value Method

The cost approach or Appraised Value method is founded on the assumption that the intrinsic value of the exploration tenement is based on the exploration potential. This includes the amount of expenditure that has been meaningfully used in the past to define a target or resource and the future costs in advancing the exploration to a Pre-Feasibility stage. A prospectivity enhancement multiplier is applied to the exploration expenditure, usually limited to the past three years and immediate year, and is based on the overall attractiveness of the exploration area for progressing to a reserves status. The multiplier ranges from 0.5 to 5.0.

From information provided by the company and a review of the exploration programme by HDR | Salva, the effective exploration expenditure is shown in Table 8:5.

**Table 8:5 Exploration Program - Direct Expenditure**

Year	Amount (\$)
FY2012	105,000
FY2013*	2,646,737
FY2014**	1,550,000
Total	4,301,737

\* Excludes acquisition cost of \$1,403,608

\*\* Estimated based on unaudited Quarterly activity report

Salva has applied a prospectivity enhancement multiplier (Lawrence/Minval/PEM schema) of 1.0 to 1.5 based on the fact that project has progressed from an early stage exploration project to an advance exploration project with a JORC (2012) Measured & Indicated Resource.

Therefore, for the Appraised Value Method a possible value of \$4.3M to \$6.9M is attributed as shown in Table 8:6 below.

**Table 8:6 Appraised Value – Titiribí Project**

Exploration Expenditure (\$000)			Base Value (\$000)	Enhancement Multiplier		Value of 100% Asset (\$000)	
FY12	FY13	FY14		Lower	Higher	Lower	Higher
105	2,647	1,550	4,302	1.0	1.5	4,302	6,874

## 8.4 Valuation summary – Titiribí Project

In forming its opinion of the fair market value of the Titiribí Project, HDR | Salva has taken guidance from the appraised valuation method and comparable transactions method. In consideration of comparable transactions, HDR | Salva has taken into account the current market, locality and technical and strategic factors which HDR | Salva has assessed to have an impact on the development of the concession.

HDR | Salva has derived a valuation range for 100% of the Titiribí Project of between \$4.2M and \$7.2M with a preferred value of \$5.7M.

This results in the fair market value of Ascot's 90% interest in the Titiribí Project being in the range \$3.7M and \$6.5M with a preferred value of \$5.1M.

A summary of HDR | Salva's valuation of the Titiribí Project is presented in Table 8:7 below.

**Table 8:7 Valuation Summary (Titiribí Project)**

Approach	Method	Values (\$M)		
		Low	High	Preferred
Cost-based	Appraised Valuation	4.3	6.9	5.6
Market-based	Market Comparable	3.8	7.5	5.6
Titiribí Project (100% Equity)		4.1	7.2	5.6
Ascot's Share (90%)		3.7	6.5	5.1

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## Appendix A Valuation Approaches and Methods

### Valuation considerations

To ensure compliance with the ASX's listing rules and Australian Corporations Law, this Report has been prepared in accordance with the VALMIN Code.

Under the VALMIN Code, mineral assets are classified according to their maturity. A *mineral asset* includes all property held for the purpose of near term or eventual mineral extraction, including but not limited to:

- real property
- intellectual property
- concessions, plant, equipment and associated infrastructure.

Most mineral assets can be classified as outlined in Table below.

**Mineral asset classification**

Project development stage	Criterion
Exploration areas	Mineralisation may or may not have been defined, but where a Mineral Resource has not been identified.
Advanced exploration areas	Considerable exploration has been undertaken and specific targets identified. Sufficient work has been completed on at least one prospect to provide a good geological understanding and encouragement that further work is likely to result in the determination of a Mineral Resource.
Pre-development / Resource	Mineral Resources and/or Ore Reserves have been identified estimated. A positive development decision has not been made. This includes properties where a development decision has been negative and properties are either on care and maintenance or held on retention titles.
Development	Committed to production but not yet commissioned or not initially operating at design levels.
Operating	Mineral properties, in particular mines and processing plants, which have been fully commissioned and are in production.

Source: VALMIN, 2005

Under the VALMIN Code, *value* is the fair market value of a mineral asset (2005). Fair market value is the amount of money or the cash equivalent that a willing buyer and seller would exchange on the valuation date in an arm's length transaction (VALMIN, 2005). Each party is assumed to have acted knowledgeably, and without compulsion. In essence, fair market value is comprised of:

- Underlying or 'technical value' - a mineral asset's future economic benefit under a set of assumptions, excluding any premium or discount for market, strategic, or other considerations
- Market component - a premium relating to market, strategic or other considerations, which can be either positive, negative, or zero.

The market value should include all material information to the asset. For projects with extensive technical detail, the valuer determines materiality of information based on whether its inclusion would result in the valuation reaching a different conclusion.

There is no single method of valuation which is appropriate for all situations. Rather, there are several valuation methods, each of which have some merit and are more or less applicable depending on the circumstances. Mineral assets are generally valued based on approaches that assess income, cost, and the open market. As the VALMIN Code is not prescriptive in this regard, the 2008 Edition of The South African Code for the Reporting of Mineral Asset Valuation (SAMVAL) and the Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties (CIMVAL) provide insight into applicable approaches, as shown in the Table below.

#### Valuation approaches for different types of mineral assets

Approach	Project development stage			
	Exploration	Resource	Development	Operating
Income	No	Rarely	Yes	Yes
Cost	Yes	Rarely	No	No
Market	Yes	Yes	Yes	Yes

Source: CIMVAL, 2003

#### Market-based approach

The market-based approach uses the transaction prices of projects in similar geographical, geopolitical, and geological environments to derive a market value using a process similar to that in the real estate industry (CIMVAL, 2003). The market-based approach may use the assumption either of joint venture terms or outright acquisitions, and can be presented in range of unitised values including on a dollar per ounce or tonne of contained metal/mineral; dollar per square kilometre; or as a percentage of the prevailing commodity price.

In the HDR | Salva's opinion, a market-based approach is well suited to establishing a likely value for mineral deposits and exploration projects, as it inherently takes into account all value drivers.

#### Related comparable transactions

Recent comparable transactions can be relevant to the valuation of projects and concessions. While it is acknowledged that it can be difficult to determine to what extent the properties and transactions are indeed comparable, unless the transactions involve the specific parties, projects or concessions under review, this method can provide a useful benchmark for valuation purposes. The timing of such transactions must be considered as there can be substantial change in value with time.

HDR | Salva has considered whether any comparable relevant transactions have taken place in recent years which can be used as a basis for estimation of value of the mining assets assessed herein.

As no two mineral assets are the same, the Expert must be cognisant of the quality of the assets in the comparable transactions, with specific reference to:

- the grade of the resource
- the metallurgical qualities of the resource
- the proximity to infrastructure such as an existing mill, roads, rail, power, water, skilled work force, equipment, etc.
- likely operating and capital costs
- the amount of pre-strip (for open pits) or development (for underground mines) necessary
- the likely ore to waste ratio (for open pits)
- the size of the concession covering the mineral asset, and
- the overall confidence in the resource.

### **Alternative offers and joint venture terms**

If discussions have been held with other parties and offers have been made on the project or concessions under review, then these values are certainly relevant and worthy of consideration. Similarly, joint venture terms where one party pays to acquire an interest in a project, or spends exploration funds in order to earn an interest, provide an indication of value.

### **Rules of thumb or yardsticks**

Certain industry ratios are commonly applied to coal mining projects to derive an approximate indication of value. The most commonly used ratios are dollars per tonne of coal in resources, dollars per tonne of coal in reserves, and dollars per tonne of annual production. The ratios used commonly cover a substantial range which is generally attributed to the 'quality' of the coal, the infrastructure to reach markets and the status of the tonnes estimates. Low cost of production tonnes are clearly worth more than high cost tonnes. Where a project has substantial future potential not yet reflected in the quoted resources or reserves a ratio towards the high end of the range may be justified.

### **Other Expert Valuations**

Where other independent experts or analysts have made recent valuations of the same or comparable properties, these opinions clearly need to be reviewed and to be taken into consideration.

### **Cost-based Approaches**

#### **Appraised Valuation or Multiple of exploration expenditure method (MEE)**

Past expenditure, or the amount spent on exploration of a concession is commonly used as a guide in determining the value of exploration concessions, and 'deemed expenditure' is frequently the basis of joint venture agreements. The assumption is that well directed exploration has added value to the property. This is not always the case and exploration can also downgrade a property and therefore a 'prospectively enhancement multiplier' (PEM), which commonly ranges from 0.5-3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement.

To eliminate some of the subjectivity with respect to this method, HDR | Salva applies a scale of PEM ranges as follows to the exploration expenditure:

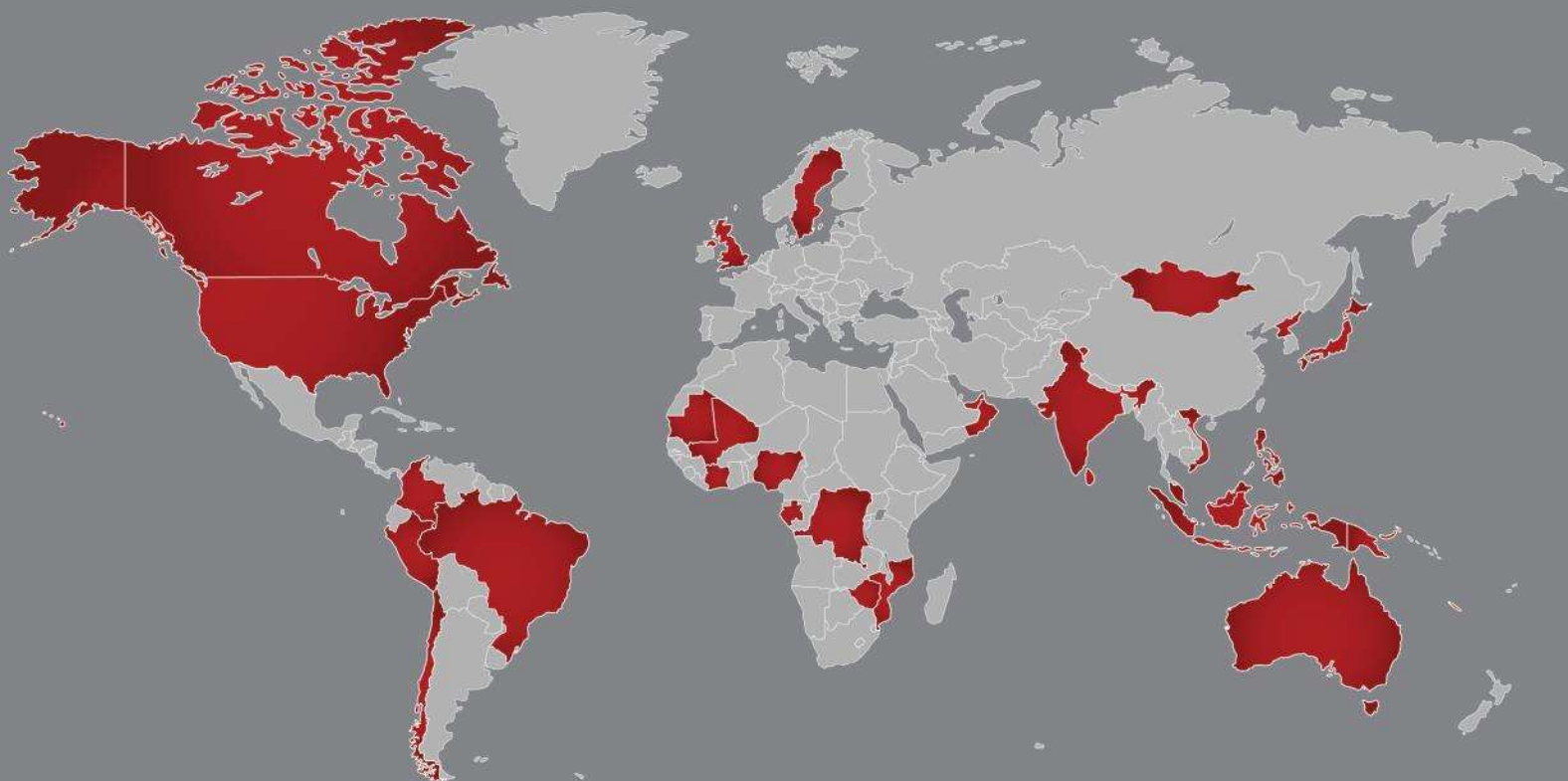
### Prospectively enhancement multipliers

PEM	Rationale
0.5 -1.0	Previous exploration indicates the area has limited potential.
1.0 -1.5	The existing (historical and/or current) data consists of pre-drilling exploration and the results are sufficiently encouraging to warrant further exploration.
1.5 -2.0	The prospect contains one or more defined targets warranting additional exploration.
2.0 -2.5	The prospect has one or more targets with significant drill hole intersections.
2.5 -3.5	Exploration is well advanced and in-fill drilling is required to define a Resource.
5.0	A Resource has been defined but a (recent) pre-feasibility study has not yet been completed

Source: HDR | Salva

Over-riding any mechanical or technical valuation method for exploration ground must be recognition of prospectivity and potential, which is the fundamental value in relation to exploration properties.

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## Appendix 4 - Independent Valuation Report - CSA

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Date: 10<sup>th</sup> October 2014  
Report No: R258.2014

*Independent Technical Assessment and Valuation*

ASCOT RESOURCES LTD

**Valuation of Mineral Assets**

Western Australia

By

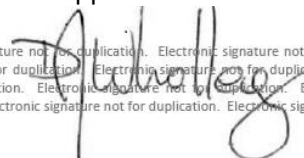
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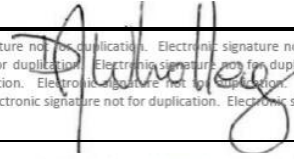
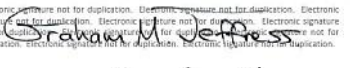
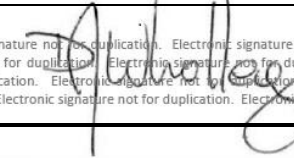
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# Executive Summary

Ascot Resources Ltd ("Ascot" or "the Company"; ASX: AZQ) has acquired the Wonmunna Project from Ochre Group Holdings Limited's ("Ochre" or "The Company"). The project is a pre-development direct shipping iron ore project located in the Pilbara Region of Western Australia. CSA Global Pty Ltd ("CSA") was commissioned by BDO Corporate Finance (WA) Pty Ltd ("BDO") to prepare a technical project review and independent valuation of the Wonmunna Project.

This review and valuation report ("Report") was written for inclusion in an Independent Expert's Report ("IER") to be prepared by BDO as part of a notice of meeting for shareholders of Ascot. BDO's report will address:

1. The proposed issue of 1,196,765 million shares to Resources Capital Funds V L.P ('RCF') being the second tranche of shares that RCF has subscribed to purchase, pursuant to a Share Placement Agreement dated 4 September 2014;
2. The conversion of convertible notes issued to RCF in May 2013 and December 2013; and
3. The issue of equity shares to RCF in lieu of interest payments required to be made under the Convertible Notes;

and will provide an opinion to Ascot shareholders and as such it will be a public document.

The Wonmunna Project comprises an Exploration License (E47/1137) and three Mining Leases (M47/1423, 1424 and 1425). Ascot is the 100% beneficial owner of all four tenements<sup>1</sup>, which form a contiguous block, located in the Pilbara Region of Western Australia. The tenements are accessed via the Great Northern Highway and are approximately 75 km northwest of the town of Newman.

CSA has completed a review of the technical aspects of the project including previous work, geology and prospectivity, to inform the valuation. It is the professional opinion of CSA that the Wonmunna Project is a pre-development iron ore project. Whilst there has been significant work completed thus far at the project, further work is required to improve the geological understanding, to fully test identified targets and assess new targets, to enable the improvement of Mineral Resources estimates, and to consider the commercial viability of the mineral assets and undertake feasibility studies to identify the appropriate mining, processing and infrastructure options.

Inferred and Indicated Mineral Resources have been estimated for four deposits within the project; North Marra Mamba ("NMM"), East Marra Mamba ("EMM"), Central Marra Mamba ("CMM") and south Marra Mamba ("SMM"). Mineral Resources for the NMM and CMM deposits were estimated by Coffey Mining in 2012, CSA completed a Mineral Resource estimate for EMM in 2011 and the SMM Mineral Resource was estimated by QG Consulting in 2009 and then updated with new density data in 2012. The resources from all deposits are summarised in Table 1.

The valuation presented in this Report was completed on behalf of BDO using information provided by and with the full support of Ascot. The applicable valuation date is 10<sup>th</sup> October 2014. The report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports ("VALMIN Code").

CSA has chosen to use the Market Value ('comparable transactions') method as the primary approach to value the Wonmunna Project. The selected transactions indicate a range of Australian Dollar ("AUD\$") values for the project from \$27M to \$56M with CSA's Preferred Value being \$34M.

<sup>1</sup> The tenements remain registered to Talisman Mining Limited pending resolution of the stamp duty applicable to the transfer of the EL from Talisman to E-Comm Multi (the precursor company to Ochre via Rico Resources Ltd).

A preferred value towards the lower end of the range was chosen to reflect the relatively low-grade of the deposits, the limited infrastructure solutions currently available for the transport and shipping of ore and because one third of the Mineral Resource inventory remains classified as Inferred.

As a cross check, the Appraised Value method, employing multiples of past exploration expenditure, was also used to assess value. This approach indicated a range of values from \$39M to \$50M with a preferred value of \$43M. CSA concluded that this result provides support for the Comparable Transaction methodology but is too high and does not reflect the current iron ore pricing environment.

Table 1: Resource Summary Table for the Wonmunna Project

Deposit	JORC Category	Fe cut-off	Million Tonnes	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	LOI %
NMM Deposit	Inferred	50%	1.9	59.2	4.2	2.5	0.08	8.8
		60%	0.7	60.8	3.5	2.1	0.08	7.1
	Indicated	50%	39.7	57.1	5.6	3.3	0.08	8.7
		60%	7.4	61.1	3.3	1.9	0.08	7.0
	Inferred + Indicated	50%	41.6	57.2	5.6	3.2	0.08	8.7
		60%	8.1	61.0	3.3	1.9	0.08	7.0
CMM Deposit	Inferred	50%	3.8	57.0	5.2	3.3	0.11	9.3
		60%	2.9	61.1	3.0	1.9	0.11	7.4
	Indicated	50%	14.4	57.1	5.6	3.3	0.10	9.0
		60%	0.8	60.8	3.2	2.0	0.11	7.3
	Inferred + Indicated	50%	18.2	57.0	5.5	3.3	0.10	9.1
		60%	3.6	61.0	3.0	1.9	0.11	7.4
SMM Deposit	Inferred	50%	17.2	55.3	6.7	3.8	0.07	9.7
		60%	1.7	61.2	2.9	1.6	0.06	7.6
EMM Deposit	Inferred	50%	7.2	54.0	7.9	4.6	0.08	9.5
		60%	0.1	60.1	3.5	2.2	0.08	7.9
Total Resources	Inferred + Indicated	50%	84.2	56.5	6.0	3.5	0.08	9.1
	Inferred + Indicated	60%	13.5	61.0	3.2	1.9	0.09	7.2

*Note: The information is extracted from the ASX announcement entitled Ascot to Acquire Wonmunna DSO Iron Ore Project in the Pilbara, Western Australia created on 18<sup>th</sup> March 2014 and is available to view on [www.ascotresources.com](http://www.ascotresources.com).*

*The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, for the Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.*

*The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.*

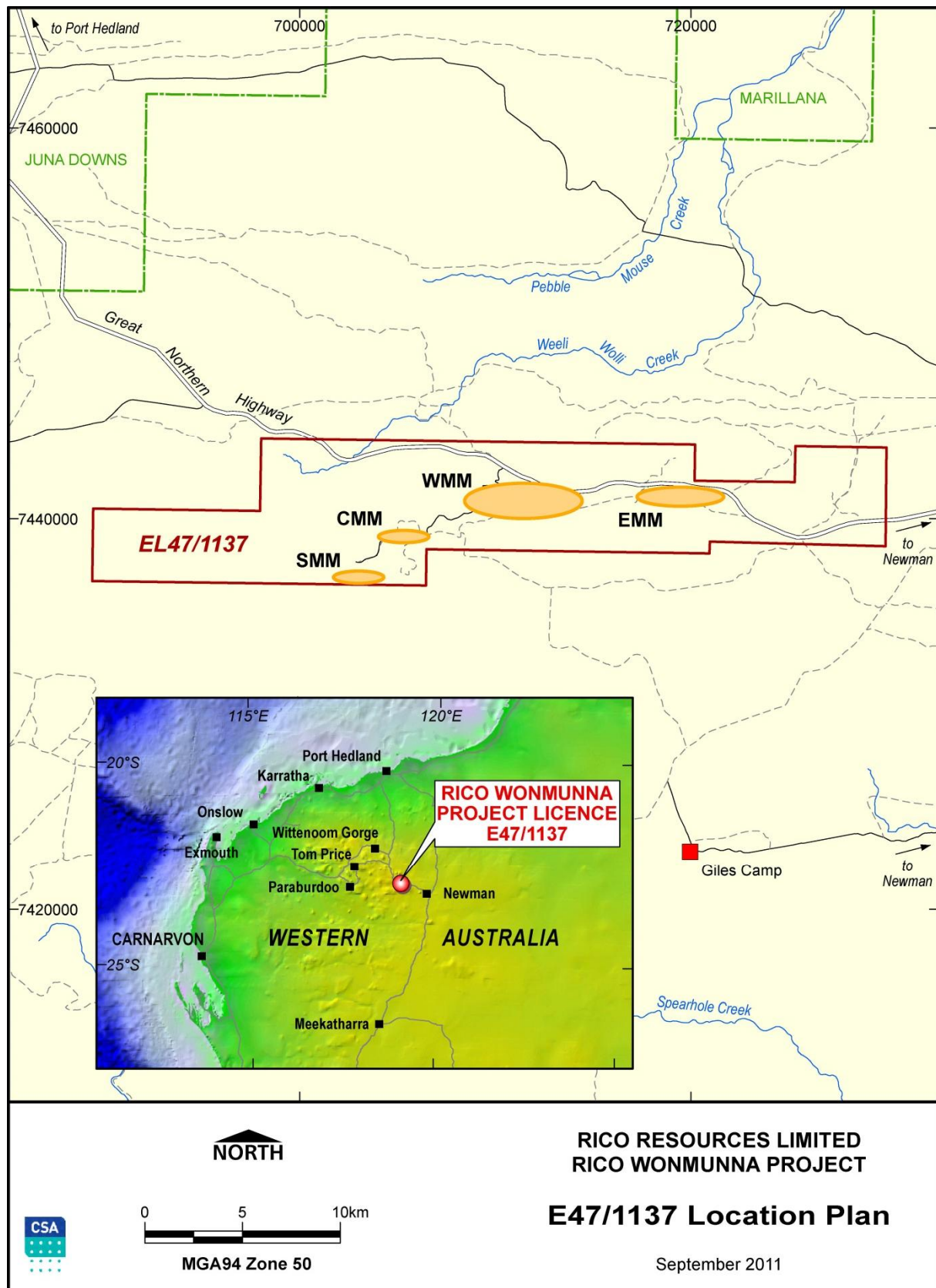


Figure 1: Location of Ascot's Wonmunna Project considered in this Valuation Report

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# 1 Introduction

## 1.1 Context, Scope and Terms of Reference

Ascot Resources Ltd ("Ascot" or "the Company"; ASX: AZQ) acquired the Wonmunna Project, located in the Pilbara Region of Western Australia from Ochre Group Holdings Ltd ("Ochre"; ASX: OGH) on the 22<sup>nd</sup> September 2014. CSA Global Pty Ltd ("CSA") was commissioned by BDO Corporate Finance (WA) Pty Ltd ("BDO") to prepare a technical project review and independent valuation of the Wonmunna Project.

This review and valuation report ("Report") was written for inclusion in an Independent Expert's Report ("IER") to be prepared by BDO as part of a notice of meeting for shareholders of Ascot. BDO's report will address:

1. The proposed issue of 1,196,765 million shares to Resources Capital Funds V L.P ('RCF') being the second tranche of shares that RCF has subscribed to purchase, pursuant to a Share Placement Agreement dated 4 September 2014;
2. The conversion of convertible notes issued to RCF in May 2013 and December 2013; and
3. The issue of shares to RCF in lieu of interest payments required to be made under the Convertible Notes;

and will provide an opinion to Ascot shareholders and as such it will be a public document.

The Wonmunna asset discussed in this report is located in Western Australia (see Figure 1). The material data for the project area is discussed in the report and tenement details are provided in Appendix 1, and summarised in the relevant sections below. CSA understands that the project tenements are held in good standing at the time of this report. CSA makes no other assessment or assertion as to the legal title of tenements and is not qualified to do so. A brief overview of the project is outlined in Section 2. The Independent Valuation of the Wonmunna Project is outlined in Section 3 below.

## 1.2 Compliance with the VALMIN Code 2005

This Valuation has been prepared in accordance with the VALMIN Code 2005, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG").

The author has taken due note of the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission ("ASIC") and the ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports and ASIC Regulatory Guide 112 – Independence of Experts.

## 1.3 Author of the Report – Qualifications, Experience

This report has been prepared by CSA Global Pty Ltd, a privately-owned consulting company that has been operating from Perth, Western Australia for 30 years.

CSA provides multi-disciplinary services to clients in the global resources industry. CSA services include project generation, exploration, resource estimations, project evaluation, development studies, operations assistance and corporate advice, such as valuations and independent technical



documentation. CSA has worked for major clients globally and many junior resource companies. CSA has been involved in the preparation of independent reports for Canadian, Australian, United States and United Kingdom listed companies.

The principal author of this report is CSA's Director - Operations Mr Daniel Wholley.

Mr Daniel Wholley BAppSc (Geol.) is a member of the Australian Institute of Geoscientists ("MAIG") has over 20 years' experience in the exploration and evaluation of mineral properties, in grass roots to advanced exploration; near-mine and resource definition with associated management skills, within Australia and overseas. Mr Wholley has completed iron ore exploration, evaluation and development in the Yilgarn, Pilbara, Far North Queensland, the Northern Territory, Republic of Congo, Sierra Leone and Thailand.

Mr Wholley has the relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the VALMIN Code and a "Competent Person" as defined in the JORC Code.

Peer review of this report has been undertaken by CSA's Manager of Exploration Mr Graham Jeffress, BSc. (Hons), RPGeo who is a geologist with over 25 years' experience in the international minerals industry. Mr Jeffress is a Member of the AIG and a Fellow of the AusIMM, and has been involved in numerous consulting assignments during his six years with CSA including many expert reports.

## 1.4 Independence

CSA is an independent geological and mining consultancy. This Report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report. The fee for the preparation of this report is approximately \$7,000 which will be paid by Ascot.

Neither CSA, nor the authors of this report, has or has had previously, any material interest in Ascot or the mineral properties in which Ascot has an interest. No member or employee of CSA is, or is intended to be, a director, officer or other direct employee of Ascot. The authors of this report do not have and have never had any shareholding in Ascot. To the best of CSA's knowledge no member or employee of CSA has, or has had any material shareholding in Ascot.

CSA's relationship with Ascot is solely one of professional association between client and independent consultant. CSA has had prior dealings with Ascot and the previous owners Ochre as an independent consultant dating back to 2011. Since this time CSA has provided ad hoc exploration management services to both Ascot and Ochre on an as required basis. The services provided by CSA included managing programs of resource drilling, estimating of Mineral Resources, and assistance with statutory reporting. At all times CSA acted as an independent provider of technical services on a programme by programme basis. CSA is currently engaged by Ascot to provide technical services on a geotechnical drilling program and for exploration management for Wonmunna. CSA's further involvement with Ascot will be based on normal commercial practices and technical performance and is in no way contingent on the results of this report.

## 1.5 Principal Sources of Information

This Report has been based upon information available up to and including 10<sup>th</sup> October 2014 ("Valuation Date"). The information was provided to CSA by Ascot or has been sourced from the public domain, and includes both published and unpublished technical reports prepared by consultants, and other data relevant to the project area.

The author has endeavoured, by making all reasonable enquiries, to confirm the authenticity and completeness of the technical data upon which this report is based. Ascot and BDO were provided a final draft of this Report and requested to identify any material errors or omissions prior to its lodgement.

CSA staff have completed multiple site visits to the Wonmunna Project for various engagements as an independent consultant for the purposes of exploration and evaluation, most recently in April 2014. The principal author has not visited the site but has interviewed several CSA staff that have, and is satisfied with the quality of the records of exploration. As such, a site visit by the author was deemed unnecessary for the purposes of this report.

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

## 1.6 Declarations

This Report has been prepared by CSA at the request of, and for the sole benefit of BDO. Its purpose is to provide an independent technical assessment and valuation of Ascot's Wonmunna Project in Western Australia. The Report is to be included in its entirety or in summary form within an IER to be prepared by BDO in connection with a notice to Ascot shareholders. It is not intended to serve any purpose beyond that stated and should not be relied upon for any other purpose.

CSA has consented to the inclusion of the Report within the IER in the form and context in which it is to appear. Neither the whole nor any part of the Report, nor any reference to it, may be included in or with, or attached to any other documents, circular, resolution, letter or statement without the prior written consent of CSA as to the form and context in which it is to appear.

This report has been compiled based on information available up to and including the date of this report. The statements and opinions are based on the reference date of 10<sup>th</sup> October 2014 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

The information in this report that relates to exploration results at Wonmunna is based upon information compiled by Mr Daniel Wholley who is a full time employee of CSA. Mr Wholley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the JORC Code 2004. Mr Wholley consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.



## 2 Wonmunna Project

### 2.1 Property Location, Access and Infrastructure

The Wonmunna Project is located approximately 75 km northwest of the town of Newman in the Pilbara region of Western Australia (Figure 2).

Access to Wonmunna is via the sealed the Great Northern Highway, north from Newman for 75 km, then via 5 km–10 km of unsealed exploration tracks through the prospect.

### 2.2 Description of the Mineral Assets

The tenement consists of Exploration Licence E47/1137 covering an area of 68 graticular blocks, and is beneficially held by Ascot. The tenement was granted on 29/08/2002. Three new mining leases were subsequently applied for within this licence: M47/1423, M47/1424 and M47/1245 and which were granted on 30/04/2012. Tenements are summarised in Table 2.

The tenement area is situated within the East Pilbara Shire (Figure 2) entirely within Vacant Crown Land. It is covered by the Newman (SF50-16) 1:250,000 map sheet and Ophthalmia (2751) 1:100,000 map sheet.

Table 2: Wonmunna Project Tenements

Tenement ID	Holder	Status	Blocks	Area (ha).	Grant Date	Expiry Date	Rent	Expenditure Commitment
E47/1137	Ochre	Granted	68		29/08/02	28/08/13	\$31,701	\$204,000
M47/1424	Ochre	Granted		1514	30/04/12	29/04/2033	\$23,769	\$151,400
M47/1423	Ochre	Granted		670	30/04/12	29/04/2033	\$10,519	\$67,000
M47/1425	Ochre	Granted		529	30/04/12	29/04/2033	\$8,305	\$52,900

The tenements are held in the name of Ochre Group Holdings pending transfer to Ascot. Ascot is the beneficial owner of the tenements as result of finalising the transaction between Ascot and Ochre on the 22<sup>nd</sup> September 2014.

CSA reviewed the status of the licences using the WA Department of Mines and Petroleum eMiTs (Mineral Titles Online) system on 10<sup>th</sup> October 2014. All tenements have met or exceeded their expenditure commitments and are on track to do so again in this current year. Similarly rents for each licence have also been paid in full for the current licence terms. CSA makes no other assessment or assertion as to the legal title of tenements and is not qualified to do so.

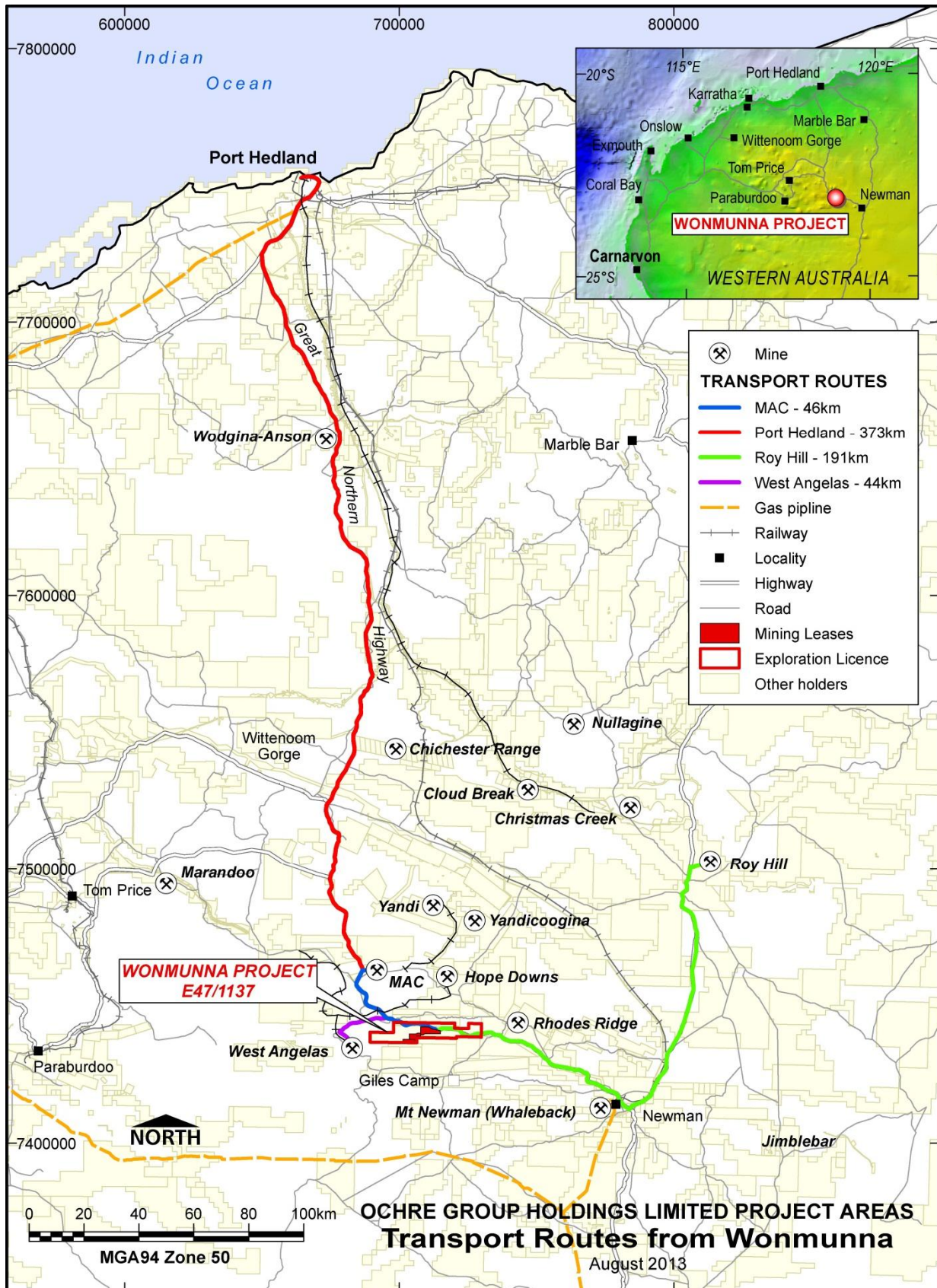


Figure 2: Project Location Plan for Ascot's Wonmunna Project in Western Australia.

## 2.3 Project Details

### 2.3.1 Regional Geology

The project is situated within the Hamersley Basin in the West Pilbara Mineral Field. The tenement area is positioned in the hinge zone of a major regional anticlinorium, the Wonmunna Anticline, which has exposed older Fortescue Group sediments and volcanics in an area otherwise uniformly underlain by Hamersley Group sediments (Figure 3).

The stratigraphy of the Fortescue Group in the tenement area comprises (from bottom up): the Jeerinah Formation which is made up of the Woodiana Sandstone (60m thick), overlain by the Warrie Member (80m thick) consisting of shale, a ferruginous chert and dolomite. The Warrie Member is overlain by the Roy Hill Shale (30m thick), a carbonaceous shale and mafic volcanics. Extensive dolerite bodies have intruded the Jeerinah Formation to form large sills that dominate the rock type in the tenement area.

The Hamersley Group contains five major Banded Iron Formation ("BIF") units, of which two, the Marra Mamba Iron Formation and the Brockman Iron Formation host the bulk of iron mineralisation currently being developed in the Pilbara Mineral Province. The Marra Mamba Iron Formation comprises three members the basal Nammuldi Member, the MacLeod Member and the upper Mount Newman Member. The Nammuldi Member contains chert-rich BIF, thin discrete shale bands and is up to 130m thick. The MacLeod Member (35m thick) contains BIF, chert and carbonates with numerous interbedded shale bands. The Mount Newman Member (60m thick) contains BIF interbedded with carbonate and shale bands. In the Wonmunna area, the Nammuldi Member is the host for iron mineralisation.

The basal BIF sequence of the Nammuldi Member conformably overlies the Jeerinah Formation in the tenement area. A goethite-rich chert outcrops at the base of the Nammuldi Member in the vicinity of the NMM and EMM deposits mark the contact. This goethite-rich chert may be a product of the mineralisation process that occurs in the BIF in these areas or the massive chert may be a silicified thrust surface at the contact between the Nammuldi Member and the Jeerinah Formation.

A surficial laterite, which is probably the remnant of the original Hamersley Surface, is well developed in the southwest of the tenement area. This ferruginous duricrust, consisting of transported and residual ferruginous gravels and nodular lateritic materials, caps the bedrock geology. Partial erosion of the laterite has formed mesas, with breakaways exposing the underlying geology.



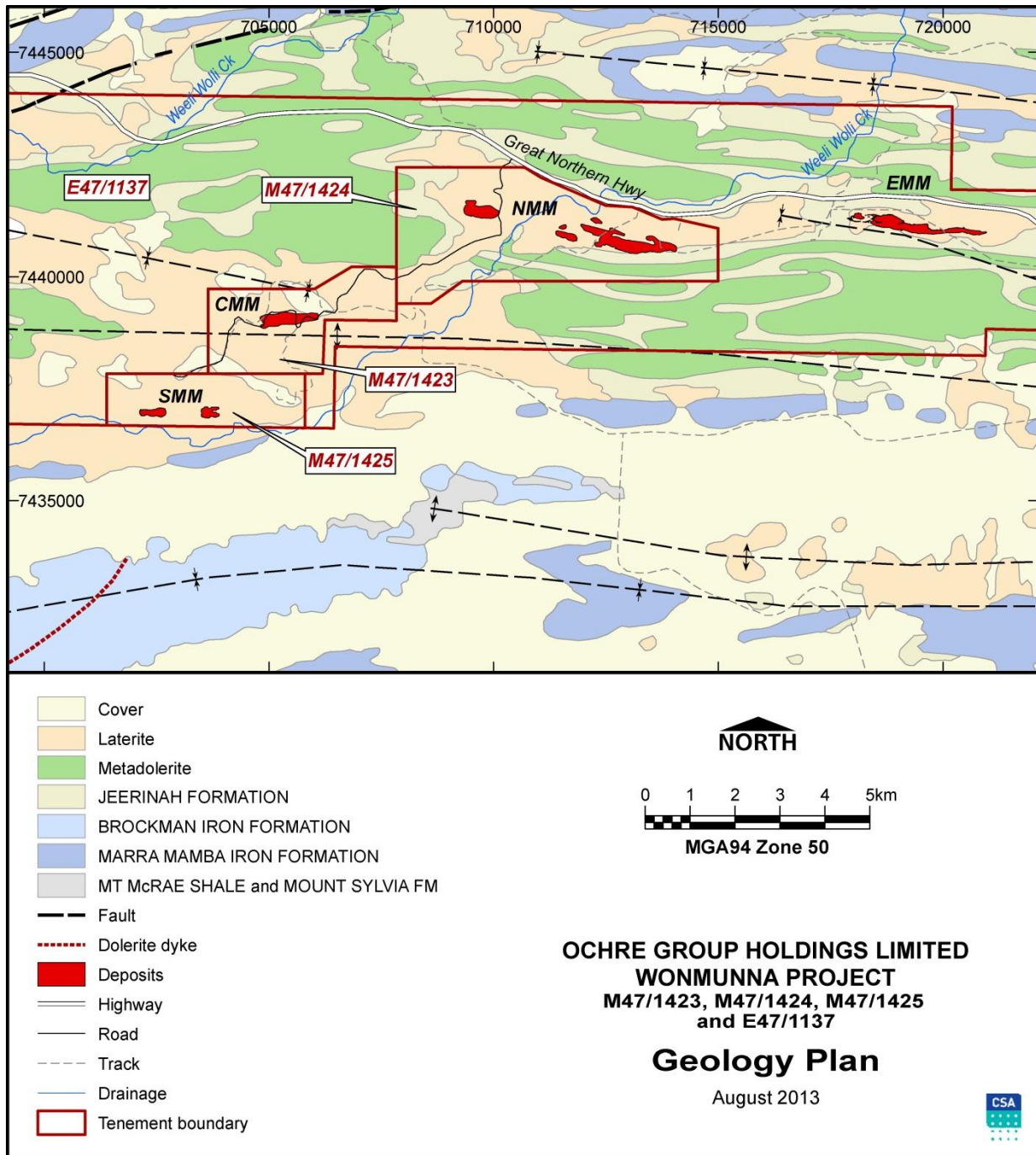


Figure 3: Wonmunna Project Geology (after GSWA Mapping)

### 2.3.2 Local Geology

In the project area, the Marra Mamba Iron Formation occurs as remnant synclinal keels, conformably overlying shales of the Jeerinah Formation (though in places there is evidence that the Marra Mamba has been thrust over the Jeerinah Formation). These keels have only been intersected in drilling beneath surficial (iron-rich) deposits blanketing most of the project area.

Two of these keel areas were discovered as due to destruction of magnetite in the BIF by the iron enrichment process. These anomalies were called NMM and CMM (standing for, respectively, North

Marra Mamba and Central Marra Mamba). Regional drill traverses located a third keel to the south called SMM, and detailed mapping identified another small keel to the east of NMM called EMM.

Two small magnetic anomalies in the northwest and southwest of the tenement represent the edges of more extensive Marra Mamba Formation in adjacent tenements, and represent areas that may be targeted for additional resources.

It is interpreted that the mineralised BIF mapped at the project is the Nammuldi Member, the lowermost BIF unit in the Marra Mamba Formation (though there is some debate as to the stratigraphy and structure, Slater, 2012).

The Archaean rocks are exposed as a series of east-west trending synclines and anticlines in a complex 'basin and dome' configuration with long axes oriented east-west, parallel to the dominant fold axis direction. Dips on the southern limb of synclines are typically steeper (60°N to vertical) and on the northern limbs are generally between 30°S and 45°S. The folds are truncated by both east-west and north-northwest trending faults (Figure 4).

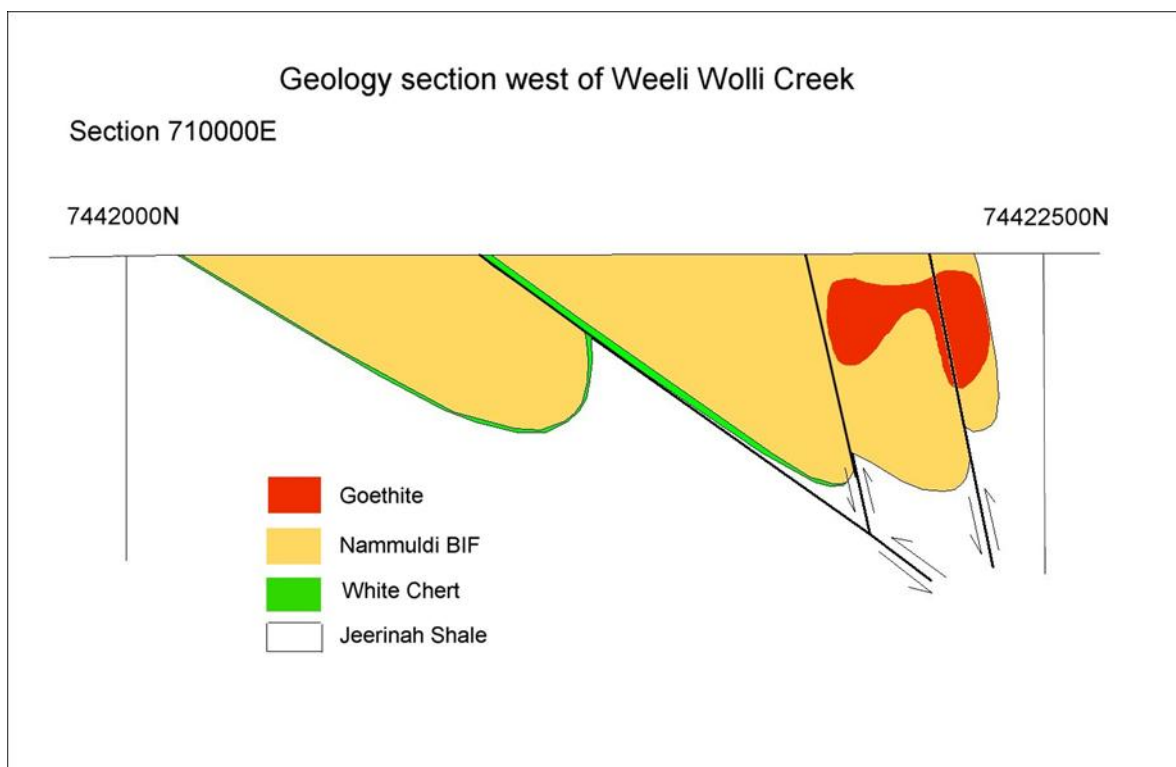


Figure 4: CSA Schematic Cross Section 710000 E, across the NMM Deposit, West of Weeli Wolli Creek, looking East.

Surficial iron stone, which is probably remnants of the Tertiary Hamersley Surface, is developed across the Project area. The iron stone occurs as indurated angular detrital ironstone with local fossil wood. Alluvial deposits are restricted to the larger creeks, including Weeli Wolli Creek which traverses the project area from southwest to northeast.

### 2.3.3 Mineralisation

The majority of mineralisation at Wonmunna is best described as bedded goethite and haematite enrichment of the Nammuldi Member BIF; the lower most member of the Marra Mamba Formation. The BIF unit in outcrop has maintained its primary sedimentary fabric but has been completely

altered to intercalated layers of goethite, haematite and limonite with some remaining silica rich layers (Figure 5). The mineralisation is primarily the result of supergene enrichment. The mineralisation is analogous to that being mined at Christmas Creek by Fortescue Metals group in the Chichester Ranges.

As well as the bedded mineralisation several pockets of detrital mineralisation and enriched duricrust occur along the edges of breakaways and in the alluvial valleys. This material is comprised of variously mineralised clasts of Marra Mamba BIF in a matrix of polymictic alluvial/colluvial clays and sand. This mineralisation type is volumetrically small, lower grade and of less commercial interest than the bedded ore. However it may be able to be beneficiated and provide an additional ore source for the project.



Figure 5: Outcropping Mineralisation at NMM West Deposit

## 2.4 Historical Exploration

A number of companies have held tenure in the Wonmunna area, dating back to the 1960's. Initially the area was targeted for base metal mineralisation and is summarised below.

*US Metals Refining Co (1963–1964):* Costeasing in several areas of the tenement, including the Bull, Sleepy Hollow and Ironstone prospects, revealed widespread secondary copper mineralisation. No follow-up work was completed.

*Western Mining Corporation Ltd (1967–1975):* As part of a regional evaluation of the Jeerinah Formation for copper, WMC completed detailed work at Wonmunna including soil geochemistry and drilling. A drilling programme comprised 112 rotary drillholes on 19 short drill traverses at Wana



Munna, Bull, Sleepy Hollow and Ironstone prospects. Two diamond drillholes were completed at Bull prospect. This drilling located widespread secondary copper mineralisation to 10.7m @ 3.4% Cu. No further follow-up was completed.

*Forsayth NL (1989):* Targeted the area for gold mineralisation, Forsayth completed a stream sediment geochemical survey which returned widespread gold anomalism (up to 1.6ppm Au) in bulk leach extractable gold (BLEG). Limited follow-up soil geochemistry and rock-chip sampling located a quartz vein at a shale-dolerite contact assaying up to 1.5g/t Au. No further follow-up work was completed. A stream sediment survey also identified strong anomalies of copper (to 1250ppm) and zinc (to 1100 ppm), for which no follow-up work was completed.

## 2.5 Recent Exploration

More recent exploration commenced in 2004 when Talisman Mining was granted tenure at the project.

### 2.5.1 Talisman 2004-2010

Talisman Mining originally targeted the tenement for base metal (Cu/Zn/Ag) mineralisation. Surface sampling and reconnaissance RC percussion drilling was completed at Bull, Tavros, Sleepy Hollow, Layoff and Schwanny's prospects. This drilling encountered Cu/Zn/Ag mineralisation at Bull and Tavros prospects, with weak mineralisation found at Schwanny's Prospect.

Poondano Exploration Pty Ltd, a subsidiary of Mount Gibson Iron Ltd, drilled 21 holes (maximum depth 50m) to test outcropping pisolite above the Jeerinah Formation in the centre of E47/1137 in 2005. Results were encouraging with the best results of 22m from 14m at 60.8% Fe. At the time Poondano had an agreement to explore for iron ore and Talisman would receive a royalty should any mining result. The agreement was cancelled in 2006.

In 2007, Talisman's focus shifted from base metals to iron ore mineralisation with the realisation that the Wonmunna area had potential for two styles of iron ore mineralisation, namely Channel Iron Deposits (CID) and haematite-goethite mineralised Marra Mamba Formation.

In 2009, Talisman completed resource definition RC percussion drilling of the Marra Mamba Iron Formation at the North Marra Mamba (NMM) prospect, Central Marra Mamba (CMM) and South Marra Mamba (SMM) prospects (Figure 3). A total of 600 holes for 29,865m were completed 333 holes for 15,787m at NMM, 82 holes for 3,980m at CMM and 185 holes for 10,098m at (SMM). Six diamond core holes (PQ3 diameter) were also completed at CMM and SMM prospects during the reporting period for metallurgical and ore-characterisation test work.

As a result of this drilling, Inferred Mineral Resources were estimated by the Quantitative Group ("QG") in 2009. A summary of these resources is provided in Table 3.

Table 3: Resource Summary based on QG Mineral Resource Estimate 2009.

	Fe cut-off	Million tonnes	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	LOI %
NMM Resource	50%	47.2	55.9	6.9	3.7	0.07	8.9
NMM DSO Resource	60%	6.2	61.4	3.0	1.8	0.07	7.2
CMM Resource	50%	15.2	56.8	5.7	3.3	0.10	9.5
CMM DSO Resource	60%	2.4	61.2	3.3	1.7	0.10	7.4
SMM Resource	50%	15.9	55.3	6.7	3.8	0.07	9.7
SMM DSO Resource	60%	1.4	61.2	2.9	1.6	0.06	7.6
Total Resources	50%	78.3	56.0	6.6	3.6	0.08	9.2
Total DSO Resources	60%	10.0	61.3	3.1	1.7	0.08	7.3

### 2.5.2 AMC 2009 - Scoping Study

Using the QG Mineral Resources as the basis, a Scoping Study was undertaken by AMC Consultants in 2009. AMC assessed a number of options including a 1, 2 and 5 million tonne per annum (Mtpa) operations using a high-grade (+60% Fe) option and a low grade (58% Fe) option using contractor or owner operator mining. Table 4 includes the inputs and likely Opex and Capex from the most favourable scenario.

The conclusions drawn from the study were:

- The project is potentially economic, based on either high-grade or low-grade ore if
  - a. the ore is transported 25 km to a nearby mine;
  - b. the project is owner or contract mined and processed; and,
  - c. the production rate is 2 Mtpa or 5 Mtpa.
- The best results are achieved for a 5 Mtpa production rate. The best cashflow is achieved for owner mining/processing. The maximum cashflow is achieved at 5 Mtpa, owner operating, low-grade option.
- The project is potentially uneconomic if
  - a. there is ore haulage by truck 393 km to the nearest port, and
  - b. the process rate is 1 Mtpa, unless there is a high price for iron available at the time the project is started.
- Marketing and locating a suitable buyer for the product is a key activity for the success of the Wonmunna Project.



Table 4: Summary Table for AMC Inputs for the 2009 Scoping Study (5 Mtpa, low-grade, owner operating/processing)

<b>Models used: 50% COG, NMM, CMM and SMM</b> <b>Throughput Mtpa: 5    Cut-off 57%</b> <b>Mining Operator : Owner</b> <b>Processing Operator : Owner</b>			
Ore and Mineralised Waste	Tonnes Processed above COG		Comments
Tonnes	26,371,347	-	60% cut-off
Fe %	58.33	-	
SiO <sub>3</sub> %	5.00	-	
Al <sub>2</sub> O <sub>4</sub> %	2.73	-	
P %	0.08	-	
LOI %	8.55	-	
Waste tonnes	79,319,943	-	
Strip ratio	3.01	-	
Lump Ratio	60%	-	
Fe Prices Lump US\$ dmtu	0.60	-	
Fe Price Fines US\$ dmtu	0.52	-	
Exchange Rate US\$:A\$	0.75	-	
Average L/F A\$ dmtu price	0.75	-	
Lump Royalty	7.50%	-	
Fine Royalty	3.50%	-	

	A\$ Total	Unit Costs /Ore Tonnes (\$)	Comment
<b>Revenue</b>	<b>1,164,108,021</b>	<b>44.14</b>	
<b>OPEX</b>			
<b>Site Operating Costs</b>			
Mining ore L&H	26,276,222	1.00	per ore tonne**
Mining waste L&H	50,731,468	1.92	
Processing	57,489,536	2.18	Camp option
Road transport	52,742,694	2.00	
G&A Infrastructure	46,677,284	1.77	
Bore field	1,582,281	0.06	
Accommodation operating	48,259,565	1.83	
<b>Selling Expenses</b>			
Buyer rail and port	153,744,953	5.83	
Buyer marketing expense	59,599,244	2.26	
Buyer markup	31,909,330	1.21	
<b>Closure Costs</b>	5,264,565	0.20	
<b>Royalty Costs</b>			
Lump Royalties	55,157,504	2.09	Camp option
Fines Royalties	15,003,612	0.57	
<b>Total Operating Costs</b>	<b>604,458,259</b>	<b>22.92</b>	

<b>CAPEX</b>			
Mining Capital Cost	22,960,000	0.87	Camp option
Processing Capital Cost	21,500,000	0.82	
Infrastructure Capital Cost	22,370,000	0.85	
Borefield Capital Cost	1,610,000	0.06	
Accommodation Capital Cost	15,900,000	0.60	
<b>Total Capital Costs</b>	<b>84,340,000</b>	<b>3.20</b>	

### 2.5.3 Rico Resources 2010–2014

In January 2010 Rico Resources purchased the iron ore assets of Talisman Mining Ltd for a consideration of \$43.7M in mixture of cash and shares. In that year Rico completed a number of exploration activities including some detailed geological mapping, updated aeromagnetic surveys and interpretation, and surface sampling.

In 2011 Rico commenced a large drilling programme to better define the Mineral Resources. The resource definition drilling programme comprised 626 RC percussion drill holes for 26,511m and 6 diamond core holes for 356m at the NMM and CMM deposits. Also, a first-pass RC percussion drilling

programme with a total of 29 drill holes for 1142m was completed at Eastern Marra Mamba (EMM) prospect (Figure 3). Down hole geophysical logging was carried out on all holes as well as some historic holes. The survey included measurements of natural gamma radiation, rock density using gamma-gamma and calliper for hole size.

Detailed geological mapping at various sites revealed additional information about the character of the sometimes complex lithology at Wonmunna.

As a result of this drilling and mapping, the Wonmunna Mineral Resources were updated by Coffey Mining in 2012. The drilling and resource work resulted in a substantial upgrade to the resources at Wonmunna. The Resources estimated at the project as at the 10<sup>th</sup> October 2014 are summarised in Table 5.

Table 5: Resource Summary as at the 11<sup>th</sup> October 2014

Deposit	JORC Category	Fe cut-off	Million Tonnes	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	LOI %
NMM Deposit*	Inferred	50%	1.9	59.2	4.2	2.5	0.08	8.8
		60%	0.7	60.8	3.5	2.1	0.08	7.1
	Indicated	50%	39.7	57.1	5.6	3.3	0.08	8.7
		60%	7.4	61.1	3.3	1.9	0.08	7.0
	Inferred + Indicated	50%	41.6	57.2	5.6	3.2	0.08	8.7
		60%	8.1	61.0	3.3	1.9	0.08	7.0
CMM Deposit*	Inferred	50%	3.8	57.0	5.2	3.3	0.11	9.3
		60%	2.9	61.1	3.0	1.9	0.11	7.4
	Indicated	50%	14.4	57.1	5.6	3.3	0.10	9.0
		60%	0.8	60.8	3.2	2.0	0.11	7.3
	Inferred + Indicated	50%	18.2	57.0	5.5	3.3	0.10	9.1
		60%	3.6	61.0	3.0	1.9	0.11	7.4
SMM Deposit**	Inferred	50%	17.2	55.3	6.7	3.8	0.07	9.7
		60%	1.7	61.2	2.9	1.6	0.06	7.6
EMM Deposit***	Inferred	50%	7.2	54.0	7.9	4.6	0.08	9.5
		60%	0.1	60.1	3.5	2.2	0.08	7.9
Total Resources	Inferred + Indicated	50%	84.2	56.5	6.0	3.5	0.08	9.1
	Inferred + Indicated	60%	13.5	61.0	3.2	1.9	0.09	7.2

\* Resources estimated by Coffey Mining in 2012.

\*\* Resources estimate update by Quantitative Group 2012.

\*\*\* Resource estimate by CSA Global 2012

*Note: The information is extracted from the ASX announcement entitled Ascot to Acquire Wonmunna DSO Iron Ore Project in the Pilbara, Western Australia created on 18<sup>th</sup> March 2014 and is available to view on [www.ascotresources.com](http://www.ascotresources.com). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company*

*confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.*

#### 2.5.4 Native title – 2007 Onwards

Work programme heritage surveys were undertaken with the local traditional owners, the Karlka Nyiyaparli Group in 2007, 2008 before the 2008 drilling programme. A further survey was undertaken on behalf of the Ngarlawangga Native title claimants before the 2011 drilling programmes. In the latter survey seventeen out of 140 drill pad locations were not able to be cleared due to the proximity of Aboriginal archaeological sites.

An important milestone for the project was the Native Title agreement with the Ngarlawangga Native title claimants as part of the granting of Mining Leases M47/1423, 1424 and 1425 in April 2012. This agreement provides a framework for the Traditional Owners and the Project Owners to negotiate Native Title issues during the development of the project should it occur.

Rico in conjunction with the traditional owners also initiated a survey of the skills of all of the Ngarlawangga community. In that way Rico and the community can develop a better informed employment and training program. This has provided stronger links with the local community.

#### 2.5.5 Ground Water Survey – 2011 Onwards

A groundwater monitoring network was installed across the site as recommended by RPS Aquaterra in 2011. These bores were installed to ascertain, with certainty, the range in depths of the water table over a full annual cycle. A number of water bores will also need to be completed in the wider area to provide information on groundwater levels and to assess if Weeli Wolli Creek is supported by groundwater flow in places. This work is ongoing and continues to provide important information.

#### 2.5.6 Environment Surveys – 2011/2012

Two reports were prepared by Phoenix Environmental Sciences looking at vertebrate fauna and short-range endemic invertebrate fauna for the Wonmunna Project in 2011. The vertebrate survey recorded 169 vertebrate species including five conservation significant fauna, namely the Western Pebble Mouse, Australian Bustard, Bush Stone-curlew, Rainbow Bee-eater and the Star Finch.

The short-range endemic study identified 1049 individual specimens of which all but three are generally not restricted to the study area. The exceptions (one millipede and two crustaceans) were recorded mainly from the Rico voluntary environmental exclusion buffer along Weeli Wolli Creek.

A follow-up targeted fauna survey in 2012 looked at populations of the Western Pebble Mouse. Of particular concern were possible sightings of the Western Chestnut Mouse. However an additional follow-up survey did not catch any Western Chestnut Mice, and this issue was considered closed.

A level 2 flora and vegetation survey was completed by G&G Environmental Pty Ltd covering two seasons in May 2011 and September 2011. The work was completed to assess the diversity of Flora present within the project to ensure no rare or threatened species were present. It provides an excellent baseline of understanding of the both native flora and weed species present prior to disturbance by mining, which will enable good management practice as the project develops.

The key conclusion from this work is that the proposed mine will not impact on any known threatened species and that none of the vegetation at Wonmunna is considered regionally significant. This is a very positive outcome for future development of the project should it occur.

The report also concluded that some pockets of the vegetation may be locally significant and should be protected where possible. The report provided a number of recommendations for further work and some management strategies to ensure the current vegetation is not negatively impacted.

## 2.6 Prospectivity

The Wonmunna Project has been explored in detail for base metals (copper, lead and zinc), precious metals (gold and silver) and iron ore. The exploration for base metals and precious metals indicates there are numerous small lower grade targets within the tenure; however there is little scope to define an economic base metal or precious project within the tenements.

Iron ore exploration has been highly successful. Exploration to date has included geophysical surveys, exploration drilling (RC percussion), resource definition drilling (RC percussion and diamond core), detailed geological and structural mapping, geochemical sampling and a number of supporting technical studies (environmental, heritage, scoping study, metallurgical work).

The detailed level of work has resulted in the estimation of substantial Indicated and Inferred Mineral Resources. However, given the detailed level of work there is limited scope to substantially increase the resources within the project. There are limited opportunities to extend mineralisation at the EMM deposit. There is also limited conceptual potential for additional discoveries undercover in the western and eastern parts of the exploration licence.

Additional value may be added through more detailed evaluation of the known projects. This could include upgrading the known Mineral Resources to higher resource categories or through more detailed technical studies as part of feasibility studies.

## 3 Valuation

Valuation of mineral exploration assets is subjective. If exploration results in the identification or upgrading of Mineral Resource the valuation will likely be higher, or alternatively when exploration is unsuccessful then the valuation will likely be lower.

There are a number of generally accepted procedures for establishing the value of exploration tenements and, where relevant, the use of more than one approach to enable a balanced analysis and cross check on the results is recommended.

The valuation is always presented as a range, with the Preferred Value identified. The Preferred Value need not be the median value and is determined by the independent expert based on their experience.

### 3.1 Methodology and Assumptions

Mineral assets are defined in the VALMIN Code as all property including, but not limited to real property, intellectual property, and/or mining and exploration tenements held or acquired in connection with the exploration, development and/or 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.

Business valuers typically define market value as “the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious buyer, and a knowledgeable, willing but not anxious seller acting at arm’s length.” The accounting criterion for a market valuation is that it is an assessment of “fair value”, which is defined in the accounting standards as “the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction.” The VALMIN Code defines the value of a mineral asset as its Fair Market Value, which is “the estimated amount of money or the cash equivalent or some other consideration for which, in the opinion of the expert or specialist reached in accordance with the provisions of the VALMIN Code, the mineral asset should change hands on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, wherein each party has acted knowledgeably, prudently and without compulsion.”

Fair Market Value usually consists of two components, the underlying or technical value, and a premium or discount relating to market, strategic or other considerations. The VALMIN Code recommends that a preferred or most-likely value be selected as the most likely figure within a range after taking into account those factors which might impact on value.

The concept of Fair Market Value hinges upon the notion of an asset changing hands in an arm’s length transaction. Fair Market Value must therefore take into account, inter alia, market considerations, which can only be determined by reference to “comparable transactions”. Generally, truly comparable transactions for mineral assets are difficult to identify due to the infrequency of transactions involving producing assets and/or resources, the great diversity of mineral exploration properties, the stage to which their evaluation has progressed, perceptions of prospectivity, tenement types, the commodity involved and so on.

For exploration tenements, the notion of value is very often based on considerations unrelated to the amount of cash which might change hands in the event of an outright sale, and in fact, for the majority of tenements being valued, there is unlikely to be any “cash equivalent or some other

consideration". Whilst acknowledging these limitations, CSA has identified what it considers to be comparable transactions that have been used in assessing the values to be attributed to the mineral assets.

CSA's valuations are based on information provided by Ascot and public domain information. This information has been supplemented by independent enquiries, but has not been independently verified. No audit of any financial data has been conducted. The valuations discussed in this Report have been prepared at a valuation date of 10<sup>th</sup> October 2014. It is stressed that the values are opinions as to likely values, not absolute values, which can only be tested by going to the market.

### 3.2 Valuation Methods for Exploration Projects

The choice of valuation methodology applied to mineral assets, including exploration licences, will depend on the amount of data available and the reliability of that data.

The VALMIN Code classifies mineral assets into categories that represent a spectrum from areas in which mineralisation may or may not have been found through to operating mines which have well-defined Ore Reserves, as listed below:

"Exploration Areas" – properties where mineralisation may or may not have been identified, but where a Mineral 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 Mineral 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 projects to the resource category.

"Pre-Development Projects" – properties where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made.

"Development Projects" – 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.

"Operating Mines" - mineral properties, particularly mines and processing plants that have been commissioned and are in production.

Each of these different categories will require different valuation methodologies, but regardless of the technique employed, consideration must be given to the perceived Fair Market Valuation.

The Fair Market Value of exploration properties and undeveloped Mineral Resources can be determined by four general approaches, viz.:

- The Appraised Value (Multiples of Exploration Expenditure) Method which considers the costs and results of historical exploration.
- The Market Approach (Comparable Transactions) Method which looks at recent arm's length transactions for comparable properties and/or comparable resources.
- The Geoscience Factor ("Kilburn") Method which seeks to rank and weight geological aspects, including proximity to mines and other deposits, the significance of the mineralised district and the commodity sought.



- The Income Approach, which is relevant to exploration properties on which undeveloped Mineral Resources (Indicated or Measured) or Ore Reserves are present or to operating mines. When sufficiently detailed studies into the mining and processing of the Mineral Resources and/or Ore Reserves have been completed, value can be derived with a reasonable degree of confidence by forecasting the cashflows that would accrue from mining the deposit and discounting these to the present day to determine their Net Present Value (NPV).

For this Report the former two methods have been used.

### 3.2.1 *Appraised Value or Multiples of Exploration Expenditure Method*

This method considers the costs and results of historical exploration.

The Appraised Value method utilises a Multiple of Exploration Expenditure ("MEE"), which involves the allocation of a premium or discount to past expenditure through the use of the Prospectivity Enhancement Multiplier ("PEM"). This involves a factor which is directly related to the success (or failure) of the exploration completed to date, during the life of the current tenements.

Guidelines for the selection of a PEM value have been proposed by several authors in the field of mineral asset valuation (Onley, 1994). Table 6 lists the PEM and criteria used in this report.

Table 6: Prospectivity Enhancement Multiplier (PEM) Factors

PEM Range	Criteria
0.2–0.5	Exploration (past & present) has downgraded the tenement prospectivity, no mineralisation identified
0.5–1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0–1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3–1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical activities)
1.5–2.0	Scout drilling (RAB, aircore, RCP) has identified interesting intersections of mineralisation
2.0–2.5	Detailed drilling has defined targets with potential economic interest
2.5–3.0	A Mineral Resource has been estimated at Inferred JORC category, no concept or scoping study has been completed
3.0–4.0	Indicated Mineral Resources have been estimated that are likely to form the basis of a Pre-feasibility Study
4.0–5.0	Indicated and Measured Resources have been estimated and economic parameters are available for assessment

### 3.2.2 *Market Approach or Comparable Transactions Method*

This method looks at prior transactions for the property and recent arm's length transactions for comparable properties.

The Comparable Transaction method provides a useful guide where a mineral asset that is comparable in location and commodity has in the recent past been the subject of an "arm's length" transaction, for either cash or shares.

Values are most commonly derived on either the basis of:

- a) value/unit material of the JORC Code category of Resources/Reserves within the tenement that were acquired or sold in the relevant transactions; or,
- b) Value/unit area of the tenements prior to identification/estimation of Mineral Resources.

In an exploration joint venture or farm-in, an equity interest in a tenement or group of tenements is usually earned in exchange for spending on exploration, rather than a simple cash payment to the tenement holder.

The joint venture or farm-in terms, of themselves, do not represent the value of the tenements concerned. To determine a value, the expenditure commitments should be discounted for time and the probability that the commitment will be met. Whilst some practitioners invoke complex assessments of the likelihood those commitments will be met, these are difficult to justify at the outset of a joint venture, and it seems more reasonable to assume a 50/50 chance that a joint venture agreement will run its term.

Therefore, in analysing joint venture terms, a 50% discount may be applied to future committed exploration, which is then "grossed up" to a 100% interest (based on the interest to be earned) to derive an estimate of the value of the tenements at the time that the agreement was entered into.

Where a progressively increasing interest is to be earned in stages, it is likely that a commitment to the second or subsequent stages of expenditure will be so heavily contingent upon the results achieved during the earlier phases of exploration that assigning a probability to the subsequent stages proceeding will in most cases be meaningless.

A commitment to a minimum level of expenditure before an incoming party can withdraw must reflect that party's perception of minimum value and should not be discounted. Similarly, any up-front cash payments should not be discounted.

The terms of a sale or joint venture agreement should reflect the agreed value of the tenements at the time, irrespective of transactions or historical exploration expenditure prior to that date. Hence the current value of a tenement or tenements will be the value implied from the terms of the most recent transaction involving it/them, plus any change in value as a result of subsequent exploration.

Where the tenements comprise applications over previously open ground, little to no exploration work has been completed and they are not subject to any dealings, it is thought reasonable to assume that they have minimal, if any value, except perhaps, the cost to apply for, and therefore secure a prior right to the ground, unless of course there is competition for the ground and it was keenly sought after. Such tenements are unlikely to have any value until some exploration has been completed, or a deal has been struck to sell or joint venture them, implying that a market for them exists.

High quality mineral assets are likely to trade at a premium over the general market. On the other hand exploration tenements that have no defined attributes apart from interesting geology or a "good address" may well trade at a discount to the general market. Market values for exploration tenements may also be impacted by the size of the land holding, with a large, consolidated holding in an area with good exploration potential attracting a premium due to its appeal to large companies.

### 3.3 Iron Ore Price

CSA has examined the historical price for iron ore fines for the period 2009 to the present (Figure 6) to assess the extent to which it may have affected the pricing of relevant transactions.



Prior to 2009, iron ore was not traded in an open market like other commodities, instead large miners (iron ore sellers) and steel mills (iron ore buyers) negotiated the price to be paid on an annual basis. This price was then used by others as a benchmark price for that year. The price paid reflected the grade of iron in the ore but also, equally importantly, the deleterious element chemistry of the ore as well as physical parameters such the lump:fines ratio of the ore. The key deleterious elements are silica, alumina, phosphorus and sulphur. The grade of these deleterious elements is required to be below threshold values otherwise price penalties are incurred.

Over the last six years, the largest sellers and buyers have moved away from an annual benchmarking process towards an indexed market that adjusts the price on a quarterly basis. There is also a spot market where iron ore can be sold in a relatively open market and where prices can fluctuate based on demand. This market is generally used by smaller producers to sell iron ore that is not under long term contract or by buyers looking to acquire additional feedstock outside their existing contracts.

No matter what method is used for pricing, the key attributes that affect iron ore pricing are the particle size (lump content), iron content and deleterious element contents. For simplicity CSA has chosen to use the fines price as a benchmark, as the Wonmuna mineralisation will most likely produce a fines product. The graph presented in Figure 6 shows the prices for 62% Fe iron ore fines CFR\* Tianjin China. The specifications for this ore type are:

- Fe content 62%
- SiO<sub>2</sub> content 4.5%
- Al<sub>2</sub>O<sub>3</sub> content 2.0%
- Phosphorus content 0.075%
- Sulphur content 0.02%
- Grainsize 90%, <10mm (>40% above 150µm)

\*CFR – Cost and Freight to port

Should the iron ore grade be below 62%, or the deleterious element chemistry above the threshold values, then the price is reduced commensurate with the level of deviation from the desired specifications, by normalising back to the standard specification.

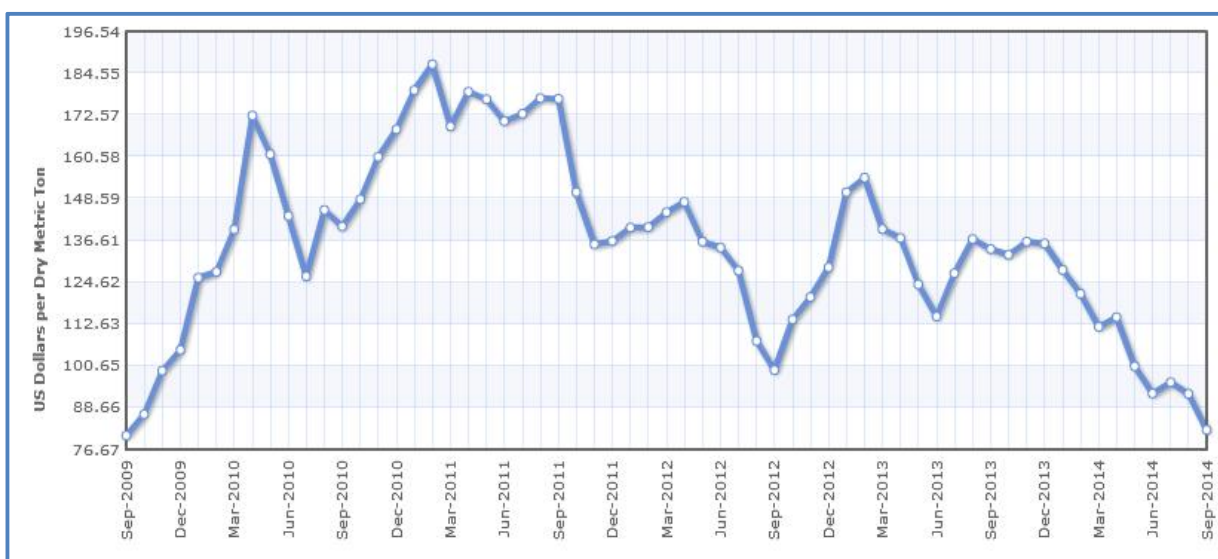


Figure 6: 62% Fe Iron Ore Fines CFR China Monthly Spot Price Chart 2009-2014

(Source: Index Mundi Website October 2014)

### 3.4 Valuation of the Wonmunna Project

#### 3.4.1 *Previous Valuations*

CSA is aware that a project valuation was completed for the Wonmunna and Uaroo projects (Stevens 2010) as part of the sales process when Talisman Ltd sold the asset to E-Comm Multi Ltd (subsequently renamed Rico Resources Ltd and then Ascot Group Holding Ltd) in 2010. The Fair Market Value for these assets at that time was stated to lie between \$32.8M and \$72.2M with a Preferred Value of \$47.1M.

The assets at this time were at a much earlier stage of investigation with smaller Inferred Mineral Resources defined at the NMM, CMM and SMM deposits. Since this valuation, an additional \$7.4 million dollars have been spent on the project, which has delivered an increase in total resources and a substantial resource upgrade to 64% of the resources in the Indicated Resources category. Other significant value-additive project work since the last valuation includes the granting of three Mining Leases covering the main resource areas, the signing of a Native Title agreement with the traditional owners and detailed environmental baseline studies.

#### 3.4.2 *Selection of Valuation Method*

The Wonmunna Project, in which Ascot has a 100% interest, is best described as a Pre-development Project.

After consideration of the various valuation methods outlined in Section 3.2 and the geological / exploration information, CSA has elected to apply the Market Approach method as the primary valuation tool and the Appraised Value (using a MEE) as cross check.

#### 3.4.3 *Market Approach – Analysis of Comparable Transactions*

The Wonmunna Project until 2012 comprised a single tenement E47/1137. In 2012 three Mining Leases were granted (M47/1223, 1224 and 1225) within E47/1137; the Mining Leases cover the NMM, CMM and SMM deposits. Given that this tenement package is contiguous, is relatively well explored with limited potential for additional significant discoveries of more iron mineralisation, it can be considered a single project with the main value driver being the currently known resources.

CSA has completed a search for publicly available market transactions within Western Australia involving iron projects with Indicated and Inferred Mineral Resources with similar grades to Wonmunna, going back to 2009. The transactions deemed to be comparable were all located in Pilbara region and similarly constrained by access to infrastructure at the time of the transaction.

Note that individual market transactions are rarely completely identical to the relevant project area or may not necessarily contain all the required information for compilation. In practice, a range of implied dollar values per tonne of iron will be defined as suitable for use. The transactions identified along with the Implied Value per tonne of contained iron values are summarised in Appendix 2.

For each of the reviewed transactions the Australian Dollar (AUD \$) value of the transaction has been converted to its US Dollar (USD \$) equivalent based on the exchange rate at the time of the transaction due to iron prices being quoted in USD \$.

As way of levelling out the effect of differing resource grades involved in each transaction it was decided to calculate an Implied Value per tonne of contained iron ("Implied Value"). The Implied Value is calculated by dividing the dollar value of the transaction by the contained iron tonnage of

the deposit, and then correcting this value for fluctuations in iron price. The correction for iron price was calculated using the equation below:

Corrected Implied Value = Implied Value / (iron ore price at the time of transaction/ Iron ore price at August 2014)

The transactions chosen for review have been restricted to iron projects in Western Australia with Indicated and Inferred Resources (as defined by the JORC Code 2004) with iron grades in the 56–60% Fe range. Other factors such as access to road, port, rail and power infrastructure or strategic value have also been considered. To make the transactions as comparable as possible, CSA have focussed on projects located in Western Australia with the majority being in the Pilbara region where the Wonmunna Project is located.

A range of pre-development iron ore project transactions considered relevant to the Wonmunna Project were identified and are outlined below and in more detail in Appendix 2:

- Atlas Iron acquiring Warrick Resources in 2009.
- E-Comm Multi purchasing the Wonmunna Project from Talisman in 2010.
- Mineral Resources acquiring Polaris Metals in 2010.
- FerrAus purchase of Southeast Pilbara assets from Atlas Iron June 2011.
- Atlas Iron acquiring Giralia Resources in 2011. CSA has separated out the three main DSO iron ore projects as separate transactions based on Price Waterhouse Coopers valuation of the assets.
- Rio Tinto purchasing the Koodaideri South Project from Iron Ore Holdings in 2011.
- Mineral Resources purchasing Phil's Creek, Yandicoogina and Lamb Creek Projects from Iron Ore Holdings in 2011.
- Atlas Iron acquiring the 25% stake in the Daltons JV from Haoma in 2012.
- Maiden Iron Ltd acquiring a 100% interest in the North Marillana Project from Iron Ore Holdings in September 2013.
- Developed Iron Ore acquiring 100% of the iron rights for the Mount Philip Project from Midas Resources Ltd in December 2013.
- Mount Gibson purchase of 100% of the Shine Project from Gindalbie Ltd in March 2014.
- BC iron makes takeover bid for 100% of Iron Ore Holdings in August 2014.

In reviewing the comparable transactions, CSA has considered the differences between the current spot prices for iron ore and those prevailing at the time of the transactions as well as weighing up the stage of development of the project and the resource estimation classifications.

CSA believes the most relevant measure to compare the projects is the Implied Value per tonne of contained iron. Figure 7 below provides a comparison of the value per tonne of contained iron for the transactions reviewed for this valuation.

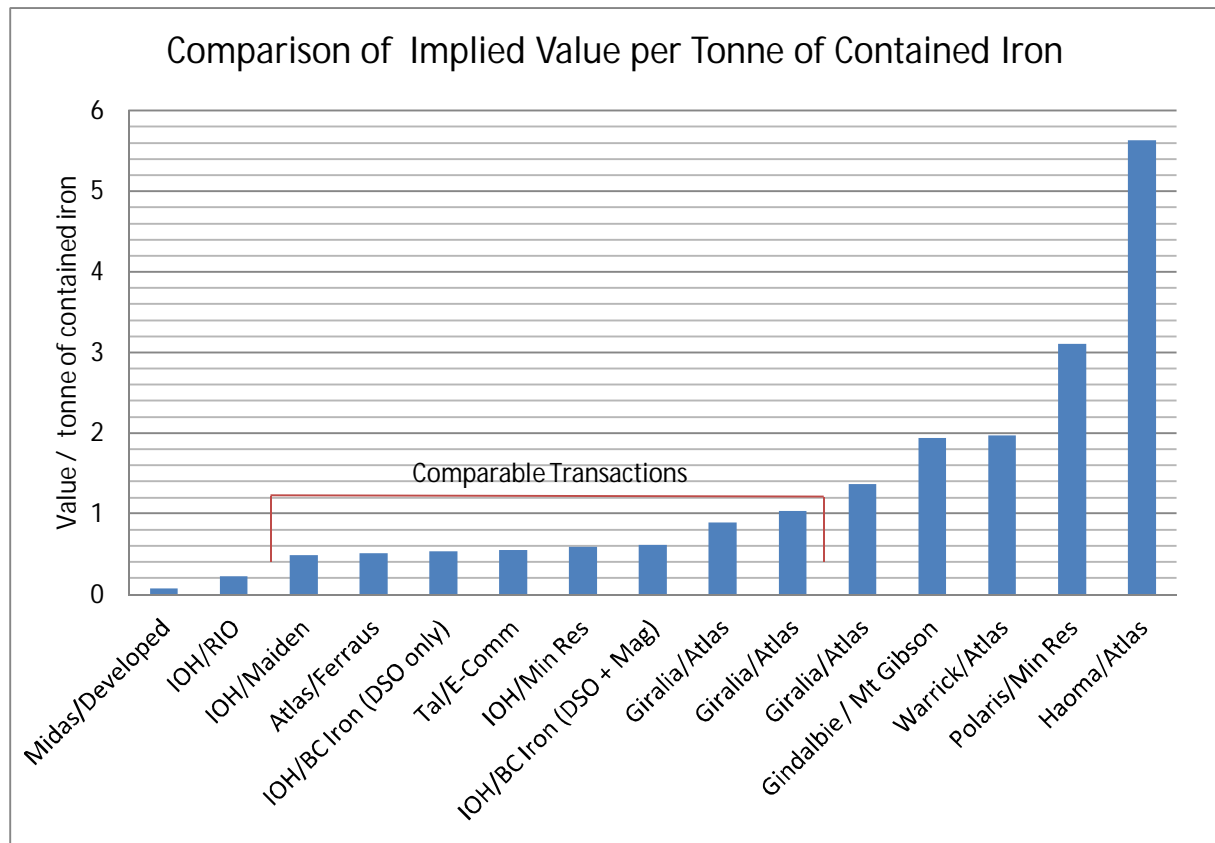


Figure 7: Comparison of USD\$ Value per tonne of Contained Iron.

Developed Iron Ore's offer to purchase Midas' Mt Philip Project in Queensland provided the lowest Implied Value of the reviewed transactions. The project is located 50 km southeast of Mt Isa and comprises a low-grade haematite deposit. The project had an Indicated Mineral Resource of 19.1 Mt grading 41% Fe and Inferred Mineral Resource of 11.4 Mt grading 33.8% Fe. The deposits have high silica, low phosphorus and alumina and would require beneficiation to create a saleable product. Due to the low grade of these deposits and uncertainty over the beneficiation methods this transaction was not deemed to be comparable.

Also at the low end of comparable transactions, Rio Tinto purchased the Koodaideri South Project from Iron Ore Holdings Ltd for an Implied Value of USD\$0.22/t. The project contained a large 106 Mt Inferred Mineral Resource grading 58.6% Fe, 5.1% SiO<sub>2</sub>, 2.5% Al<sub>2</sub>O<sub>3</sub> and 0.14% P. The project was located approximately 30 km from the Rio Tinto Yandicoogina mine. Given the high phosphorus content and the location it is unlikely the deposit could have been developed as a stand-alone operation. However it would be useful as blending product for Rio at their nearby operations. As the deposit was classified entirely as Inferred and has very high phosphorus levels CSA believes this transaction is not comparable to the Wonmunna Project.

Maiden Irons' purchase of the North Marillana project from Iron Ore Holdings ("IOH") in September 2013 yielded an Implied value for contained iron of US\$0.49/t. The project had an Indicated Resource of 15.6 Mt grading 54% Fe, 6.7% SiO<sub>2</sub>, 5.7% Al<sub>2</sub>O<sub>3</sub> and 0.6% P. Although relatively low in iron and high in alumina, the project is located directly adjacent to railway infrastructure. This project was chosen as the lower end for the valuation range.

The next lowest Implied Value (US\$0.51/t) was the result of Atlas Iron selling its southeast Pilbara DSO iron assets to FerrAus as a defensive strategy to stop Wah Nam acquiring FerrAus. Given the

strategic intent of this transaction CSA believes this was low value, but still a useful comparable transaction.

BC Iron's recent takeover offer for Iron Ore Holdings in August 2014 has not been finalised and is at risk of being withdrawn should the iron ore price remain below AUD\$90 per tonne for more than 20 consecutive days prior to the transaction being finalised. The project comprises a substantial DSO resource of 542 Mt grading 57.4% Fe and includes a Proven and Probable Reserve of 269 Mt grading 58.1% Fe. In addition the project has an Inferred Mineral Resource for magnetite of 1.1 Bt grading 30.1% Fe. The Implied Value based solely on the DSO Resources is US\$0.054/t, however if the iron contained in the magnetite resources is included then the Implied Value falls to US\$0.25/t. It is likely the majority of value for the transaction lies with the DSO, as the main reason BC Iron has purchased the project is to add mine life to their current DSO operation. This is the most recent transaction reviewed and the relatively low Implied Value for such an advanced project is a strong reflection of current sentiment for values in the iron ore industry.

The sale of the Wonmunna asset in 2010 to Ochre provides an Implied Value of USD\$0.55/t. Given the asset has had over AUD\$7.4M spent on it since then, this has resulted in substantial upgrades to resources and project dynamics. This transaction occurs at the lower end of the implied value curve and CSA believes this was reasonable price for the project at the time.

Atlas Iron purchased 100% of Giralia Resources Ltd in March 2011. The purchase included a suite of DSO projects including McPhee Creek, Mt Webber and Western Creek in the Pilbara as well as the Yerecoin magnetite project in the Yilgarn, the Balla Balla magnetite project and several gold and precious metal projects in WA. The values ascribed to the DSO projects in this valuation were those presented by PWC for each project in the independent expert report for the takeover. Using the PWC values suggests an Implied Value of US\$0.89/t for Western Creek, US\$1.03 for Mt Webber and US\$1.37 for McPhee creek. CSA believes only the first two projects are relevant to include as comparable as they are similar in size and grade to Wonmunna, whereas McPhee Creek was substantially larger and of far more strategic value to Atlas.

The four projects with substantially higher Implied Values were reviewed but have not been used to value the Wonmunna asset for the reasons provided below.

The maximum Implied Value of USD\$5.64/t relates to Atlas Iron Ltd buying out Haoma's 25% stake in the Daltons JV in which they already owned the other 75%. The project had a 22 Mt Probable Reserve grading 58% Fe based on Indicated Mineral Resources. Given Ore Reserves had been estimated and the 25% stake had considerable strategic value it is felt this transaction is not comparable.

The second highest Implied Value at USD\$3.14/t involving Mineral Resources takeover of Polaris is also considered anomalously high due to a control premium being paid and also to the advanced nature of the infrastructure solution for the project. At the time of the sale the project had a relatively small Inferred Mineral Resource of 42.6 Mt grading 58% Fe. However, the project had demonstrated potential for larger resources, was in the process of resource upgrades, had completed parts of a prefeasibility study for the project and had commenced mining approvals. Polaris had also negotiated access to the Westnet rail network and was in advanced talks with the Kwinana Port and had strong indications that port capacity would be made available. Although the project had a relatively small resource base, the advanced nature of study and the likelihood of rail and port capacity provided this project with a higher Implied Value than that which is appropriate for Wonmunna. As such this transaction has not been used in the determining an Implied Value range for Wonmunna.

The third highest Implied Value (USD\$1.97/t) in the comparable transaction list is from Atlas's takeover of Warrick Resources. The sale involved the acquisition of the entire company, in which Atlas already owned 20%. Although the resources were comparable to the Wonmunna Project, the transaction also came with 5000 km<sup>2</sup> of exploration tenure in the Pilbara. The tenement package was prospective for additional iron ore discoveries and was in line with Atlas's strategic growth plans. Additionally, given that Atlas was already a 20% shareholder, it could be argued this was not an arm's length transaction. For these reasons CSA does not believe it is comparable.

The fourth highest transaction is the recent purchase of the Shine project by Mount Gibson from Gindalbie. The resources are substantially higher grade, and are a mixture of mostly Measured and Indicated Resources suggesting a much higher confidence level in the resource. The project has already undergone significant feasibility study and has regulatory approvals in place for development. It is a somewhat strategic acquisition for Mount Gibson as it secures a potential ore source to replace production from Talling Peak mine, which will close in the second half of 2014.

Noting the exclusions outlined above, CSA concludes that relevant market transactions for Wonmunna have Implied Values per tonne of contained iron of between USD\$0.49 per tonne and USD\$1.03 per tonne, with a preferred Implied Value of USD\$0.63 per tonne.

The tonnage of contained iron at Wonmunna is 47.6 Mt, based on total resources of 84.3 Mt at 56.5% Fe. Based on these values CSA believes the value for the Wonmunna asset lies between USD\$23M and USD\$49M with a Preferred Value of USD\$30M as summarised in Table 7.

The Preferred Value is positioned at the lower quartile of the range. This point has been selected to reflect the fact that:

- one third of the Mineral Resources are in the Inferred category;
- Iron ore price is low and getting lower;
- significant parts of the resources have relatively high phosphorus levels;
- there is limited potential for discovery of additional resources in the areas of known mineralisation; and,
- the project has limited identified transport or port options, as a stand-alone project.

Table 7: Summary of Value (USD\$) per tonne of Contained Iron Selected for Comparable Transactions Valuation and Valuation Ranges

Wonmunna Project	Low Value	High Value	Preferred Value
47.6 Mt of contained iron	0.49	1.03	0.63
Valuation (US\$)	\$23M	\$49M	\$30M

#### 3.4.4 *Appraised Value Method – Multiples of Exploration Expenditure (MEE)*

Reported exploration expenditure on the Wonmunna Project tenements by Talisman and Ascot is reported as AUD\$14.1M. These costs have been incurred in the last ten years, which represents the life of the current licence. CSA has not corrected these costs for inflation as the majority of this expenditure (AUD\$13.4M) has been incurred since 2008.

Based on the recorded exploration expenditure and the generally positive results of the work, a range of expenditure-weighted PEM values of 2.8 to 3.6 has been determined as shown in Table 8.

When these PEM values are applied to the historical expenditure at Wonmunna it provides a range of values from AUD\$39M to AUD\$50M, within which range CSA has selected a Preferred Value of AUD\$44M, using a work-related expenditure weighted PEM of 3.1.

This value is in upper part of the range for the comparable transactions. This reflects the considerable amount spent on the project during periods of higher iron price. In the current pricing environment CSA believes it attributes too greater price on the project.

CSA conclude that the Preferred Value from the Appraised Value Method provides a high end valuation of the Wonmunna asset in line with the comparable transaction valuation but too high in the current iron ore pricing environment.



Table 8: PEM Factors for the Wonmunna Project

Work Undertaken by Year	Results of work	expenditure (AUD k)	PEM Low	PEM Value low (AUD k)	PEM High	PEM Value High (AUD k)	PEM Pref.	PEM Value Preferred (AUD k)
2002-2003								
first pass reconnaissance mapping and surface sampling and	delineated widespread copper oxide mineralisation and gossan	20	1	20	1.3	26	1.1	22
2003 - 2004								
More detailed reconnaissance of known copper targets	No know copper or base metal targets delineated	70	1	70	1.3	91	1.1	77
2004 - 2005								
shallow RC drilling for iron ore 21 holes for 240m.	intersected thin iron ore lenses of channel iron deposits	70	1	70	1.5	105	1.3	91
2005 - 2006								
Aeromagnetic Survey	Provides better understanding of geology and highlights the presence of Marra mamba mineralised areas	30	1	30	1.5	45	1.5	45
Stream sediment geochemistry program 503 samples. Targeting base metals	located moderate base metal anomalism	30	1	30	1.5	45	1.3	39
Soil geochemical sampling program, 282 samples. Targeting base metals	defines moderate zones of base metal anomalism	20	1	20	1.5	30	1.3	26
Base metal Drilling	minor base metal mineralisation intersected	20	1	20	1.3	26	1	20
Iron ore drilling	Good results intersecting thick high grade iron mineralisation	70	1.5	105	2	140	2	140
2006 - 2007								
Stream sediment geochemistry program, 56 samples. Targeting base metals .Soil geochemical sampling program, 3180 samples. Targeting base metals	Delineated widespread base metal anomalism associated with Jerinah shale. Low to moderate grade	90	1	90	1.5	135	1.3	117
Base Metal Drilling	Limited success with thin low grade intercepts	320	1	320	1.5	480	1.3	416
2007 - 2008								
Detailed drilling of iron targets delineated previously. Large RC and diamond drilling program	highly successful, delineated three main iron deposits within the tenure and completed resource estimation	4,150	3	12450	3.5	14525	3.2	13280
2008 - 2009								
Large resource definition RC drilling program.	Very successful increasing resource substantially	1,070	3	3210	3.5	3745	3.2	3424
Resource updates and Scoping study by AMC	indicated several economic development scenarios	160	3	480	3.5	560	3.2	512
2009 - 2010								
Refining scoping study, additional met testwork,	Work improved scoping study and project was sold for \$42 M	320	2	640	3	960	2	640
2010 -2011								
RC drilling program and environmental work new resource work	Continued success, resources upgrade in part	1000	3	3000	4	4000	3.2	3200
2011-2012								
Detailed infill drilling program at Nmm and CMM deposit, New resource estimation work, additional met testwork, environmental base line studies, signed native title agreements and converted tenure to mining leases	Very successful year significant resource upgrade to indicated resources, numerous baseline studies complete commence PFS	6110	3	18330	4	24440	3.5	21385
2012 - 2013								
Environmental Monitoring, water monitoring and rehabilitation. Soil characterisation work		290	1	290	2	580	1	290
Scout drilling		150	1	150	1.5	225	1	150
2013 - 2014								
Regional review, photogeology, reprocessing of geophysics, reconnaissance, DID prospectivity assessment and field checking; updated MRE for EMM (no material change)	A number of new exploration targets have been identified, mostly detrital iron mineralisation	136	1	136	1.5	204	1.5	204
Totals and weighted averages	Totals and Weighted Averages	14,126	2.8	39,461	3.6	50,362	3.1	44,078



### 3.5 Preferred Value of the Projects

CSA has concluded that Ascot's Wonmunna Project is a Pre-development Project with sound fundamentals as an iron ore project. The project has Indicated and Inferred Mineral Resources and a Scoping Study completed in 2009 proposed potentially viable options for development. However, the project is not well located for infrastructure solutions other than road transport. The project is almost equidistant from operating mines at West Angelas, Hope Downs and Mining Area C (MAC); all of which are serviced by rail and port infrastructure and could be seen as potential strategic development partners. There is limited potential for additional resources within the project and more work is required to assess the economic potential of the project.

It is CSA's opinion that the Market Value of Ascot's Wonmunna assets is best ascribed using the Market Approach (Comparable Transactions). As a validation of the Market Approach method the Appraised Value (MEE) Approach was also used. The latter method provides a valuation in line with those derived by the comparable transaction method and is considered to support the primary method.

Using the Market Approach using the Comparable Transaction method the Fair Market Value of Ascot's Wonmunna Project, on the Valuation Date of 10<sup>th</sup> October 2014, lies in a range from USD\$23M to USD\$49M, with a Preferred Value of USD\$30M.

The Australian Dollar equivalent values for the project, using an exchange rate of 1 USD = 1.14 AUD (10<sup>th</sup> October 2014), is in the range from a low of AUD\$27M to a high value of AUD\$56M with Preferred Value of AUD\$34M.

Table 9: Summary Valuation of Ascot's Wonmunna Project in Australian Dollars

Project	Mineral Asset	Ownership	Granted Area	Valuation		
		%	km <sup>2</sup>	Low AUD \$M	High AUD \$M	Preferred AUD \$M
Wonmunna	Pre-development Project	100	210	27	56	34

*The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.*

There is significant range in the values derived for Ascot's projects. CSA has considered this range and concludes that it provides a reasonable representation of possible valuation outcomes for the project, given the uncertainties inherent in valuing early-stage exploration and pre-development projects.

It is stressed that the valuation is an opinion as to likely values, not absolute values, which can only be tested by going to the market.

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## 5 Glossary

The reader is referred to online resources such as Wikipedia for explanations of unfamiliar terms.



# Appendix 1: Tenement Schedule

Tenement ID	Holder	Manager	Status	Blocks	Area (ha).	Grant Date	Expiry Date	Rent	Expenditure Commitment
E47/1137	Ochre Group Holdings Ltd*	Ascot Resources Ltd*	Granted	68		29/08/02	28/08/13	\$32,334	\$204,000
M47/1424			Granted		1514	30/04/12	29/04/2033	\$23,769	\$151,400
M47/1423			Granted		670	30/04/12	29/04/2033	\$10,519	\$67,000
M47/1425			Granted		529	30/04/12	29/04/2033	\$8,305	\$52,900
Totals					2713			\$74,927	\$475,300

\* Pending Stamping and registration of transfers between Ochre and Ascot.

## Appendix 2: Market Transactions Involving Iron Ore Projects at the Pre-development Stage

Company_1 Seller	Company_2 Buyer	Deal Name	Project	Commodities	State	Date	Asset Details	Transaction Details	Resource Category	Resource Size (tonnes)	Iron Grade (Fe%)	Contained Iron (tonnes)	Spot Price (US\$)	USD:AUD Exchange Rate	Price 100% Basis (A\$)	Price 100% Basis (US\$)	Implied Value/tonne contained iron (US\$)	Correction spot price	for tonne contained iron ) corrected for spot price
Midas	Developed Iron Ore	Midas/Developed	Mt Phillips	Fe	Qld	Dec-13	Midas Resources was 100% owner of MDL471, 54km SE of Mt Isa in Queensland. The tenement contained known iron ore resources an indicated resource of 19.1Mt grading 41.42% Fe and Inferred resources of 11.4Mt at 33.82% Fe	In September 2013 Midas was offered \$1.5 in cash in two payments and a 0.5% royalty. An initial \$500,000 payment due 60days after due diligence is completed and \$1M six months after the initial transfer. The deal was for iron ore rights only Midas retained the other mineral rights on the	Indicated and	30,500,000	37.0%	11,285,000	136	0.89	1,500,000	1,335,000	0.12	-0.09	0.07
Iron Ore Holdings	Rio Tinto	IOH/RIO	Koodaideri South	Fe	WA	Sep-11	The Koodaideri South project is located 10 km north of BHP Yandi and 30km north west of RTIO Yandicoogina mine in the Pilbara region. The project contains an Inferred Mineral Resource of 106Mt at 58.6% Fe and 0.14% phos, 5.1\$SiO2 and 2.5% Al2O3. is very well located for infrastructure both rail and road	Rio Tinto acquired a 100% interest in the Koodaideri south projects for \$32 million in cash and a 2% FOB royalty.	Inferred	106,000,000	58.6%	62,116,000	177.23	0.974	32,000,000	31,168,000	0.50	-0.62	0.22
Iron Ore Holdings	Maiden Iron	IOH/Maiden	North Marillana	Fe	WA	Sep-13	The North Marillana project comprises relatively low grade CID iron Ore. The project comprise four Mining leases located in the Pilbara Region Of WA north of BHP Yandi mine. The tenements	Maiden Iron has agreed to a \$2.5M cash payment and additional \$5.25M upon commencement of mining at the project. In addition a 2.5% royalty will be paid to IOH for the	Indicated	15,600,000	54.0%	8,424,000	134	0.93	7,500,000	6,975,000	0.83	-0.58	0.49
Atlas Iron	Ferraus	Atlas/Ferraus	SE Pilbara	Fe	WA	Jun-11	Atlas Sold Ferraus A suite of seven iron projects in the SE Pilbara region of WA. Collectively the projects contained combined Inferred Resources of 159Mt grading 56.5% Fe.	The projects changed hands as part of defensive strategy to avoid ferraus being acquired by Wah Nam by Atlas taking a significant blocking stake in the company. The projects changed hands for a consideration of \$79M	Inferred	158,000,000	56.5%	89,270,000	145.2	1.06	79,000,000	83,740,000	0.94	-0.79	0.51
Iron Ore Holdings	BC Iron	IOH/BC Iron (DSO only)	Iron Valley/bungaro o south	Fe	WA	Aug-14	IOH holds a 100% interst in several iron properties with defined resources and reserves. These include DSO and Magnetite iron ore projects. The DSO projects are mixture of Inferred, Indicated and measured Mineral Resources totalling 542Mt at 57.4% Fe and with	BC offered the purchashe all of the IOH shares for 0.44 BC shares for each IOH share plus \$0.1 AUD for each share. At the time of the purchashe BC share were trading at \$3.31 providing an implied value for each IOH share \$1.56. IOH also had \$52M	Inf, Ind, Meas resources and Prov/prob reserve	542,000,000	57.4%	311,108,000	90	0.931	204,000,000	189,924,000	0.61	-0.09	0.54
Talisman	Ecomm Multi	Tal/E-Comm	Wonmunna	Fe	WA	Jan-10	The Wonmunna project is located 70km north west of Newman in the Pilbara of WA. The project comprised 175sqkmAt the time of the transaction the project had defined Inferred Mineral resource of 78MT @56% Fe using a 50% Fe cut off additional exploration upside had been recognised for Fe.	In February 2011 Rico paid \$35.25M in cash and 35.5M rico shares (valued at \$7.1M). For a 100% interest in the project.	Inferred	78,000,000	56.0%	43,680,000	125.91	0.896	42,350,000	37,945,600	0.87	-0.52	0.55
Iron Ore Holdings	Mineral Resources	IOH/Min Res	Phil's Creek, Yandicoogina, Lamb Creek	Fe	WA	Sep-11	The iron ore assets involved in this sale included Phil's creek - Indicated Resource of 15.5MT @ 55.6%Fe and 0.1%P. Lamb Creek - Indicated 15.2MT @ 60%Fe and 0.13% P and Inferred resources of 24.5MT @ 54.9% Fe and 0.9%P. The Yandicoogina Asset had no defined resources.	The 100% stake in the projects was acquired for a consideration of \$42Million in Cash paid over a 90 day period.	Indicated	55,200,000	56.3%	31,077,600	177.23	0.974	42,000,000	40,908,000	1.32	-1.64	0.59
Iron Ore Holdings	BC Iron	IOH/BC Iron (DSO + Mag)	Iron Valley/bungaro o south	Fe	WA	Aug-14			combined	DSO tonage 542Mt at 57% + Mag tonnage 1.1Bt at 30% Fe		645,508,000	90	0.931	204,000,000	187,131,000	0.29	1.00	0.25
Giralia Resources	Atlas Iron Ltd	Giralia/Atlas	Western Creek	Fe	WA	Mar-11	Giralia had a suite of iron assets in the Pilbara and the Yilgarn region of western Australia. Prindpal pre-development assets were McPhee Creek 265 MT (Ind 65MT, Inf 194MT) at 56% Fe 0.12%P and Daltons Mt Webber 35MT (Ind 29MT, Inf 6MT) at 57.2%Fe and 0.06%P. Other assets were Yerecoin a magnetite resource in the Yilgarn. Western Creek Resource 52.4MT Inferred 56.9% 0.6%phos	Atlas acquired Giralia and all of the iron ore and other mineral assets for a total consideration of \$825M it was an all scrip deal Atlas shares which were trading at \$2.90 at the time of the acquisition. Ravensgate and PWC indicted a preferred value for McPhee creek at \$347.7M and \$45.4M for Western Creek. Daltons Mt Webber \$35.3M	Inferred	52,400,000	56.9%	29,815,600	139.77	1.033	45,400,000	46,898,200	1.57	-1.21	0.89
Giralia Resources	Atlas Iron Ltd	Giralia/Atlas	Mt Webber	Fe	WA	Mar-11			Indicated	35,000,000	57.2%	20,020,000	139.77	1.033	35,300,000	36,464,900	1.82	-1.40	1.03
Giralia Resources	Atlas Iron Ltd	Giralia/Atlas	McPhee Creek,	Fe	WA	Mar-11			Inferred and Ir	265,000,000	56.0%	148,400,000	139.77	1.033	347,700,000	359,174,100	2.42	-1.86	1.37
Gindalbie	Mount Gibson	Gindalbie / Mt Gibson	Shine	Fe	WA	Mar-14	The shine project has hematite resources(Measured, Indicated and Inferred)of 7.8Mt at 59.0% Fe, with high silica (8.7%) and moderate phos (0.08%), low alumina (1.85%). The projects are located in the Yilgarn Region 250km east of Geraldton in Western Australia	ON the 7th March Mount Gibson completed the deal for the iron ore rights to the shine project for \$15M in cash and trailing royalty. An initial Payment of \$12M followed by the remaining \$3M at commencement of mining. The Royalty provides that Gindalbie will receive 20c in the dollar for every dollar above \$115 for Platts 62% Fe, per tonne sold.	Measured Indicated ( and Inferred)	7,800,000	59.0%	4,602,000	121	0.91	15,000,000	13,650,000	2.97	-1.58	1.94
Warrick Resources	Atlas Iron Ltd	Warrick/Atlas	Western Creek, Caramulla, Jimblebar	Fe	WA	Nov-09	Warrick had very large tenement holding with 45.5 Mt of Inferred resource defined Western Creek, Jimblebar Caramulla ranging from 53%-9 -57.5% Fe. There was also 120-260Mt of exploration target in the surrounding tenure ranging 57-64% Fe. A total of 5000sqkm of Pilbara tenure was part of the deal.	Atlas acquired all of the mineral Assets of Warrick resources for one Atlas Share for every three Warrick Shares. At the time of the offer this equated to %c per Warrick share, based on Atlas at \$1.65. making an effective sale price of \$64M	Inferred	45,500,000	55.0%	25,025,000	99.26	0.967	64,000,000	61,888,000	2.47	-0.63	1.97
Polaris	Mineral Resources	Polaris/Min Res	Yilgarn Iron proj	FE	WA	Jan-10	principal asset was the Yilgarn Iron Ore Project comprising about 1,000 km2 of tenements, and an Inferred Mineral Resource of 42.6Mt grading 58.6% Fe at the Carina, J4 and J5 deposits. At the Carina Extended prospect, rock chip sampling over a 700m strike length returned assays in the range 57.9% Fe to 61.6% Fe. Polaris had two other exploration assets which did not add significant value to the deal and had no resources defined.	Min Res acquired the assets of Polaris for an All scrip deal of 1 Min Res Share for every 10 Polaris share plus 10.1 cent cash for each Polaris share. final bid price of the equivalent of 82.1c/share base on Min Res at \$7.20 per share. Based on this transaction, POL was valued at \$145M, or the equivalent of \$5.80/t Fe in Resources, however, given the large tenement holding, and prospects for the discovery of additional resources at Carina Extended, at least, this is likely to be a maximum value. Polaris had \$7 Million in cash at the time of the takeover	Inferred	42,600,000	58.6%	24,963,600	125.91	0.896	138,000,000	123,648,000	4.95	-2.94	3.11
Haoma	Atlas Iron Ltd	Haoma/Atlas	Daltons			Mar-12	Atlas acquired the remaining 25% of the Daltons JV from Haoma. This was an advanced asset with a defined probable reserve of 22.8Mt at 58% Fe	The 25% stake in the JV was acquired for \$33m, of which \$10m was cash and the remaining \$23M in Atlas shares. Atlas shares were valued at \$2.88 at the time of the offer. Right to the non iron ore assets remains with Haoma. This deal gave Atlas a 100% stake in the project and thus had some strategic value	Probable reserve	22,800,000	58.0%	13,224,000	144.66	1.034	132,000,000	136,488,000	10.32	-8.58	5.64
													79						
													Iron Spot Price at 10th October 2014						